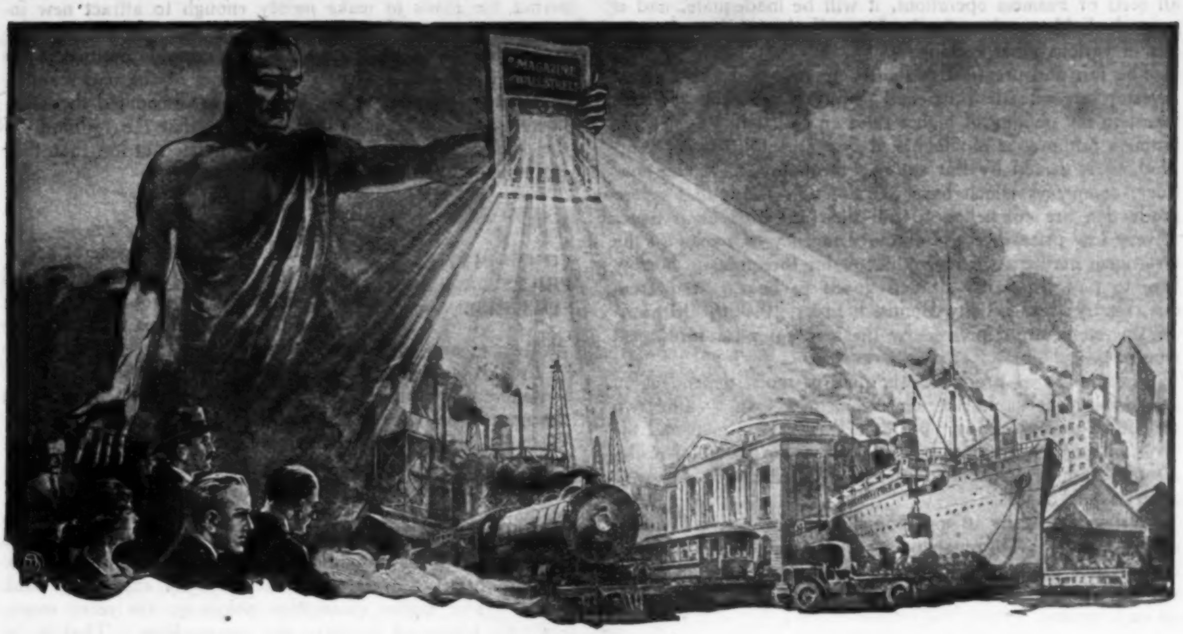


# THE OUTLOOK

## Federal Board Forces Deflation—Necessity of Higher Rates for Business Money—Railroad Legislation—Commodity Prices Higher—The Market Prospect

THE Federal Reserve Board's efforts towards deflation of non-essential loans, both in the stock market and in commodities and real estate, have been the principal influence on security prices during the past fortnight.

No one questions the desirability of limiting loans of this character under present conditions. Fault is naturally found with the Board's methods. Doubtless this would have been the case whatever methods had been employed. It does seem reasonably clear, however, that the Board would have done better if it had taken steps to head off the rapid rise of loans beforehand, instead of permitting a considerable degree of inflation and then starting in to force deflation.

Many in Wall Street, also, are asking why two very wealthy men who were formerly leaders in Wall Street speculation now stand so high in the financial councils of the administration. Of course, no one doubts the disinterestedness and sincerity of these two gentlemen. We simply chronicle the fact.

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**WALL STREET ALREADY DEFLATED**

THE total of loans on stock market collateral in Wall Street is not more than two-thirds of what it was last July. It is a minor item beside loans in other lines of business, which have been rapidly increasing while security loans were being deflated. Stock market loans do not now exceed the combined working capital of the U. S. Steel Corporation and Standard Oil of New Jersey, for example.

Regardless of whether Wall Street could be justly charged with using more than its proper proportion of the country's credit at the high prices of last July and November, it is entirely clear that it is not doing so now.

The way the matter has been handled by the New York banks, also, is not above criticism. They were instructed by the Federal Board to cut down their speculative loans and it was their duty to carry out those instructions. But the extreme rates charged on small amounts of call money late in the day could easily have been avoided. On that subject the words of John J. Mitchell, chairman of the Illinois Trust and Merchants Loan & Trust of Chicago, a conservative banker who usually does not speak unless he has something to say, are well worth quoting:

"Easterners are apparently engaged in the lucrative business of shaking stocks out of the pockets of the public and locking them in their own strong boxes. There is no reason why money should go to 15 per cent. and 18 per cent. at this time. Such performances can be for no other purpose than frightening people into selling their stocks."

* * *

**EFFECT OF FURTHER MEASURES**

REALIZING the necessity of reasonable money rates to facilitate the much needed production of goods, the Federal Board is endeavoring to handle the situation by urging bankers to discriminate against all kinds of speculative loans, whether on stocks, real estate, raw products, food stuffs, or finished goods. At the same time some increase in rediscount rates is apparently in contemplation.

We seriously doubt the effectiveness of bankers' discrimination in the making of loans, as a means of checking inflation. Such discrimination in business loans is an extremely difficult and delicate matter. It can be carried out fairly well by the concentrated banking interests of New York City against the borrower of money to carry stocks, who has no friends anyway. But as a broad, nation-wide policy, covering

all sorts of business operations, it will be inadequate, and is seriously liable to abuse by bankers who have personal interests in various other enterprises.

The fair and practical method is to raise rediscount rates. Investors are already compelled to pay 8 per cent. for time loans, to say nothing of higher rates on call, while money for business purposes is obtainable at 5 per cent. to 6 per cent. Nothing is gained by this extreme inequality. On the contrary, companies which have to raise new funds to increase production are compelled to sell their stock or bond issues at very low prices because of the stringency of money in the investment market; it is more difficult for foreigners to borrow here to pay for badly needed goods to be exported from this country; and Liberty Bonds, held by 20,000,000 patriotic investors, are depressed by the high rates for investment money.

The growth of production is quite as much dependent on new investment capital as on commercial loans. The two cannot be separated any more than the business man and the investor can be separated. Neither can the speculative element in business be isolated for separate treatment, except to a very minor degree.

Little is gained by attempts to monkey with general financial and economic law through personal discrimination. In war, the injustice resulting from such a policy may be excused on the ground of an overwhelming necessity. In peace, there is no such excuse.

* * *

**FOREIGN LOANS LAG**

A SMALL Belgian loan of $25,000,000, offered to American investors on favorable terms, has been oversubscribed. But broadly speaking very little progress has been made in the matter of financing our exports. We are expanding our home business on an extravagant scale instead of developing our export trade. Neither our Government nor our private banking interests have taken hold of this problem in a whole-hearted, co-operative way.

If action is much longer delayed, we shall wake up to find that England, as usual, has seized the opportunity which we are allowing to slip through our fingers. The depreciation of her own money enables her to sell goods to advantage in countries where her exchange is at a discount, and the still greater depreciation of money behind her on the continent permits her to buy to advantage as fast as goods are produced there for sale.

The German mark, for example, is at a discount of 90% below its normal relation with the British pound. It is evidently very profitable business to buy goods at a 90% discount in Germany and sell them in America or elsewhere at a premium of nearly 30%. Even very high prices in Germany would absorb but a small part of this tremendous profit.

* * *

**RAILROAD PROSPECTS**

THE two houses of Congress are making slow progress in conference over the new railroad bills. It is clear, however, that the Government guaranty of rates is likely to be continued for six months; that the Interstate Commerce Commission will be directed to raise rates, to exactly what basis has yet to be decided; and that the more prosperous roads will be compelled to share their excess earnings above 6% with the Government for the benefit, directly or indirectly, of the weaker lines.

Mr. Osborn, of the Texas Pacific, suggests that the excess earnings of strong roads be taxed at an increasing ratio, on the plan of the surtaxes of the income tax. This is certainly a policy which should be applied with great caution, as tending to lessen the inducement for economical and efficient operation.

While the outcome as affecting any particular road cannot be predicted, it is clear that the general policy must be to permit the roads to make money enough to attract new investment capital. If certain roads are overcapitalized, holders of those issues must expect a less favorable position in the general scheme than owners of securities of the undercapitalized roads; but present low prices have discounted the situation in advance, and we are confident that the railroads of the country taken as a whole are capitalized at less than their just valuation.

* * *

**COMMODITY PRICES STILL RISE**

COMMODITY prices in general are at a new high level in both America and England and while it is probable that they are nearing the top, there is no present indication of any considerable decline.

In this country, the lack of immigration has been an important cause of this rise. If immigration had continued at the normal pre-war rate, we should now have had an additional 4,000,000 workers, largely in the manual labor class. That means that we are "shy" about one worker in fifteen, and accounts in great measure for the labor scarcity and the ability of the unions to force up wages, which in turn force up prices. Undoubtedly immigration will now show a gradual increase, but it will be a long time before this gap is filled, if it ever is.

High prices are closely connected with expanding bank loans. The higher commodity prices go the more money must be borrowed to carry the commodities. That is, of course, the basic reason why Professor Sprague, of Harvard, discussing the loans of the Reserve Banks, says that "further expansion is altogether likely unless a decided change is made in the policy of the banks"; and why Byron Holt says that "The only way to smash this vicious circle is to reduce banking loans. All rates must be high—let the chips fall where they may."

* * *

**THE MARKET PROSPECT**

THERE is nothing now in sight to check the activity of the general business of the country unless the Federal Board should raise the rediscount rate far beyond any figure it is at all likely to set. So long as consumptive demand continues keen, and until stocks of goods begin to accumulate, even a 7% rate would be cheerfully paid by business men on their loans—as cheerfully, doubtless, as a 6% rate was paid before the war.

Good bonds and preferred stocks are on the bargain counter, viewing the matter from the long-pull standpoint, but until commodity prices begin to fall securities of this class cannot be expected to make any very decided advance. The wise investor is he who takes advantage of these wonderful opportunities by holding down his living expenses and putting his savings into sound securities. These wise investors, however, do not seem to be very numerous just now.

The above applies also to the best railroad common stocks, which are likely in the future to attain an investment rating similar to that of preferred stocks in the past.

As a result of high money rates, most industrial stocks have now been pretty thoroughly liquidated and are passing into the hands of investors who can hold them regardless of money rates. U. S. Steel common stock held in the names of individual investors increased from 58.5% of the total to 60.4% in the three months ended Dec. 31, and this tendency is observable in many other issues.

The special weakness in the oil stocks has been in part due to raiding tactics with the object of shaking out weak holders. While the weaker oils are being unduly depressed, the stronger ones are being accumulated by large interests.

We believe the next broad movement of the general market will be upward and that it will be of an orderly and satisfactory character, based largely upon legitimate values and investment buying.

Tuesday, Jan. 20, 1920.

# Louis J. Horowitz, Master Builder

## The Immigrant Boy Who Helped Build New York's Sky Line—Magic Story of His Career—His View of the Business Outlook for 1920

*Interviewed by* **FRANCIS J. OPPENHEIMER**

MAETERLINCK, when he arrived in New York the other day, running true to form with every other distinguished visitor we've had for a generation, said that the heroic office buildings that majestically push their heads into the clouds, were, more than anything else he had seen, characteristic of American energy and genius.

In the current vernacular, that's what they all say, though 'tis really contrary to the fact. But how could we expect a Belgian poet to know what so few of us even on the Street have ever suspected, viz.: that the man behind a good part of New York's picturesque sky-line also is an importation from the old country.

Though a most loyal and most desirable citizen, Louis J. Horowitz, president of the Thompson-Starrett Co., landed from the other side less than thirty years ago, with scarcely a penny in his pocket.

Worse, he was met by no friend in Castle Garden. No one paid any attention to this eager-eyed boy of seventeen who pressed to the rail for a first glimpse of the land of the free and the home of the brave. No one, certainly, could have so pierced the future as to prophesy that this poorly dressed immigrant was eventually to rear the tallest building in the city of New York and to be known throughout the world as the master builder of America.

If you have no special training or advantages, you're apt to knock from pillar to post in search of undesirable, nondescript work. That is, providing you want to eat. That is exactly what this Russian-Polish boy was immediately interested in.

So the first thing you know, he is found working in Brill Brothers as an errand boy. Moral: Treat your errand boy with consideration, for who knows when Fate may send you to him, hat in hand, seeking to rent an office from him.

From running errands he was graduated to wrapping parcels. This time it was at Stern Bros. Up he goes, or, to be truly literal, down, for he got a better job as stock-boy in Cammeyer's basement. Later, having learned a bit of the business, he went back to Stern's, a full-fledged shoe salesman.

But his mind was beginning to take on a man's shape, and he had plenty of that American quality of "push" if little "pull." He was next found managing a chain of retail shoe stores, and before long it dawned on young Louis that if he could sell shoes he could sell bigger things. (This was in New Jersey, *not* Chicago.) So at the age of twenty-three, five years after he landed, he embarked for himself as a real estate broker in Brooklyn.

Evidently this ex-errand boy and ex-parcel wrapper had struck his stride, as the saying has it, for it was not long before he worked himself into the good graces of a number of local brokers, impressing them, in all likelihood, with those qualities, which later were to stamp him as the most venturesome builder of his age and generation.

**LOUIS J. HOROWITZ**

**Thirty Years Ago Mr. Horowitz Arrived in America Practically Penniless. To-day He Is the Guiding Spirit of One of Our Richest and Most Energetic Construction Companies**

Things go merrily along. 'Tis but a short while before he is found financing the erection of an apartment house, and soon he's president of a Brooklyn brokerage firm which he himself incorporated. Speedy work, eh? But then speed is Mr. Horowitz's middle name. He maintains that it is a most vital element in rearing a sky-scraper. He put up the Equitable Building, the largest office building in the world, in exactly twelve months, less time than some would take to build a chicken house or a pig-sty. And the sixty-five million dollar powder plant he built for the government was completed in eight months. Apart from every other engineering problem connected with this, three thousand separate buildings were erected on this "job," as Mr. Horowitz calls it. In other words, one government building, from foundation to finish, went up every thirty minutes. No wonder Secretary of War Baker called it a magic city.

So much capital is involved in mammoth construction work like this, according to this Titan Builder that even a twenty-four-hour delay means a loss too great to be sustained. Take the Equitable, for example, representing an investment of thirty-five million dollars, the rental loss for a single day would be $6,000!

But I left my reader in Brooklyn, and I must hasten to the rescue. Mr. Horowitz (he was then Louis, and you didn't have to phone him three weeks in advance for a five-minute chat), while engaged on these various real estate operations attracted the attention of the Thompson-Starrett Co., and was offered the post of assistant to the president. Four years later he was made vice-president and general manager of the concern. This was in 1907, the great money panic year. Yet young Horowitz started right out to get new business, soon gaining the confidence both of financiers and real estate operators through his far-sighted sagacity. In less than a year his concern had important construction work running into millions and the volume of business handled since that time has amounted to millions annually.

The Woolworth building, for instance, designed by Cass Gilbert, and considered the most beautiful modern fairy tower in the world (for each lighted window means a point of industrial energy—a worker at a desk) cost its owners $8,000,000. Rising from the sidewalk fifty-five stories, or 785 feet, it contains nearly a million square feet of office space. The Equitable building, designed by E. R. Graham, forty-two stories high, contains 1,800,000 square feet of space, and is equipped with the sixty-three speediest elevators in the world. The New York

Municipal building, designed by McKim, Mead & White, cost $11,000,000, and is the largest building in the world devoted exclusively to municipal offices. It rises forty-two stories above the sidewalk level to a height of 550 feet, and contains 1,300,000 square feet of space. The exterior is built of granite, of which there was a total of 660,000 cubic feet, all of which was quarried, cut, shipped and set in place in twenty-six months.

In addition to these sky-scrapers famed the world over, this concern has erected a score of banks, financial institutions, industrial plants and power houses. The Union Station in Washington, admired by exeryone who has passed through that city, as well as the McAlpin and Claridge hotels in New York, are also Thompson-Starrett Company productions.

The first great achievement of Mr. Horowitz's administration was the erection of the Gimbel building at Broadway and Thirty-third street. This was rushed through in the face of every discouragement. Gimbel Brothers, who desired the new store, did not want to invest in real estate, it being against their policy, so Mr. Horowitz had first to find a real estate company which owned sufficient land. Then he had to find money to put up the building. With the completion of this project, involving a total outlay of about twelve million dollars and the drawing up of a lease for the premises for one hundred years at a rental of one hundred million dollars, the success of his administration was assured.

In 1910, Mr. Theodore Starrett, having retired, Mr. Horowitz was made president of the Thompson-Starrett Company.

When in 1917 the United States declared war on Germany, this concern was entrusted with the responsibility of erecting one of the large cantonments, Camp Upton, on Long Island. The spot, Yaphank, was a densely wooded wilderness, isolated and many miles distant from any large city or reservoir of labor. Yet within a hundred days a soldier city was thrown up, capable of housing 45,000 of our boys and 15,000 animals. Anyone who has seen these substantial wooden buildings, heated, equipped with electric lighting, modern bathing and toilet facilities, will appreciate the herculean effort that must have been put forth to accomplish this. Twelve thousand peaceful laborers brought about this miracle. But this army also had to be housed, provisioned and lodged by the builders, as it was too great a distance from any of their homes. This was building for victory.

As the head of the Emergency Construction Section, War Industries Board, Col. W. A. Starrett, recently said: "As a peaceful nation, building was perhaps our most spectacular achievement. Our cities were the wonder and the admiration of the world on account of their great buildings. . . . As a nation totally unprepared for war, perhaps our most conspicuous deficiency was in suitable buildings and structures to house and train the armies. Beyond that we lacked warehouses and terminals, hospitals, specialized factories, flying fields and airdromes, but we were not unprepared to produce them. All of these things were a necessary precedent to our preparation for war. The lack of buildings stood squarely across the path of the whole program of war-making and American genius was not only equal to, but in a measure prepared for, the demand that was to be made upon it. The cantonments will always stand out as a spectacular building achievement of the war."

**Everybody knows the Woolworth Building, the Equitable, the new Municipal structure. Very few know the man who built them. And he has been too busy working to care anything about publicity. The romantic story of his career is here given to the public for the first time, together with his views on the business situation.**

When the need arose for a building organization to manage the construction work in connection with Explosives Plant "C" at Nitro, W. Va., the government asked the organization which had made good at Camp Upton to undertake the work.

Here are some interesting figures in connection with this stupendous war work. The area of operation was 1,900 acres; over 20,000 men were carried on the pay-roll. In round figures it took 35,000 cars to deliver material at the site, averaging during the busy period 300 cars per day, which, calculated on a ten-hour day, meant that a car was received and unloaded every two minutes.

The work included the laying of 75 miles of standard and narrow-gauge railroad track; in addition, 133 miles of sewer and water piping, 185,000 cubic yards of concrete, 31,000,000 bricks, 108,000,000 board feet of lumber, a boiler plant rated at 34,000 horse-power, but designed for 100% overload, and the installation of a water system to handle 90,000,000 gallons a day.

On his tour of inspection to the Nitro plant, Secretary of War Baker paid tribute to the work accomplished in these words: "A very wonderful thing has been done. Things undreamed of have become possible. Thousands of buildings have been constructed, and things have sprung out of the ground as if planted by a maigc hand, and it is but an indication of our national power. . . . I was amazed at the marvelous speed with which progress has been made in the construction of the plant, and am delighted with the spirit of the men who have done the work. At no place in America have I seen either excelled."

And the "magician" of all these wonders, Mr. Horowitz, has good news for the business man. He told me he believed 1920 would be a banner year for steel, iron, lumber and copper. In fact, he is optimistic about the future. This should hearten all investors, for the building industry is a pretty accurate barometer of the nation's prosperity. After three years


NEW YORK CITY'S SKY LINE

**An impressive exhibit of the enterprise of the Thompson-Starrett Co. Buildings erected by the company are: 1, Atlantic Trust Building; 2, United States Express Building; 3, Kuhn-Loeb Building; 4, Equitable Building; 5, 68 William Street Building; 6, 80 Maiden Lane Building; 7, Wyllys Building; 8, Hilliard Building; 9, Frankel Building; 10, 123 William Street Building; 11, 134 William Street Building; 12, Woolworth Building; 13, Municipal Building; 14, Chapel Court Building; 15, Schieren Building.**

of starvation, due to war work, building, he believes, will now be resumed on a grander scale than ever.

"Nineteen-twenty promises to be a very good year in the allied industries," Mr. Horowitz told me, "notwithstanding the fact that I do not look for any material reduction in the cost of materials, some of which may even soar a bit above present high levels. Wages, I believe, are pretty well stabilized, and will continue on the approximate level for some time to come."

Asked about the prospects for the money supply for building operations, he said: "It is a noteworthy fact that one of the largest lenders has recently come into the market for mortgage loans, and I believe this bank will be followed by others. This in spite of the fact that insurance companies and savings banks have been practically out of the market for mortgage loans, due chiefly to their using up their funds in buying the various Liberty Loans. Individual investors will not be slow to follow this bank's example.

"Figure it out for yourself. Mortgages paying 6% interest cannot successfully compete from the standpoint of income yield, with other securities on the market, some of which have tax exemption features. I am advised a bill was recently introduced in the House providing for the exemption from the operation of the Income Tax Law of mortgages up to the amount of $40,000, held by any one investor. Such legislation, in my opinion, is highly desirable, as it would help overcome the grave money shortage.

"High prices," he continued, "are caused by lower production and taxes. Taxes will take care of themselves now that war expenditures have decreased, and prices can be reduced without reducing wages, if those who work for wages will give a fair day's labor in return. In the building industry, for instance, where costs of work executed under existing wage scales must run higher than they did when wages were from 50 to 70 per cent. of what they are today, necessity for paying present wages carries with it the paramount need

THE EQUITABLE BUILDING

**New York's Largest Office Building Is Only One of the Innumerable Construction Enterprises Undertaken by the Thompson-Starrett Company**

for increasing the output of each man.

"The contrary, however, has proven the rule. Brick-layers who are capable of laying 2,000 or more brick per day, and who were laying 1,200 to 1,500 when they were earning $5 a day, now that they are receiving from $8 to $10 a day lay only 700 bricks.

"And this holds true in every other industry. Things cannot go on like this without a smash-up somewhere along the line, and I earnestly urge labor leaders to take up this question of a conscientious full day's work for a full day's pay.

"The restriction, too, of immigration, is having a serious effect on business generally, and as you know in the building industry particularly. It's a long while since I've seen an Italian laborer, or an Irish hod-carrier, except in vaudeville.

"The country's supply of unskilled labor," Mr. Horowitz continued, "is largely drawn from immigrants, and therefore curtailment in this respect seriously affects our supply and tends to raise wages of such labor as is available."

I asked this genuinely self-made man for some word to the younger generation that would help it to succeed in business.

"Don't worry about success," he replied, "it will come as surely as night follows day, to quote Shakespeare, if you attend to your own work conscientiously. Most young men just work sufficiently to earn money so they can play around. Play should be an incident, not the aim of life."

How Thoreau would have appreciated and what a glowing account he could have penned of this "master builder!" You remember Thoreau tells how he awoke one night and what a satisfaction it was to his soul to remember that the day before he had driven one nail straight. What would he have said of the huge Woolworth and Equitable buildings, or of the little man that gave them form? I nominate Mr. Horowitz for a page in Who's Who in America.

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### 1920 WILL BE COUNTRY'S MOST CRITICAL YEAR

**American Exchange Nat'l Bank Says Real Americans Will "See the Nation Through"**

"Nineteen-twenty bids fair to be one of the most critical years in the history of the Republic. In spite of the vicissitudes through which we have passed since we became a nation there have been but few moments of doubt upon the point of the fulfillment of our destiny. We have no doubt now. Uncertainties have arisen as a result of the agitation of those who do not believe in our institutions, but there are no doubts. The same blood that founded this country will see it through regardless."

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## Increase in "Par Point" System of Federal Reserve Banks

The accompanying map shows to what extent the "par point" system, which is strongly advocated by the Federal Reserve Board has expanded. The Federal Reserve Banks have united in an effort to obtain material increases in the number of banks, regardless of whether they are members of the Federal Reserve System or not, which have displayed a willingness to collect checks at par, and which are, in consequence, willing to co-operate with them in the reserve collection system. The Federal Reserve Banks have induced a large number of non-member financial institutions throughout the country to accept this new plan, and the institutions have been quick to recognize the advantages to be derived from the free collections. All banks in States shown in white are on the par list, and figures indicate total number of banks in each State.

# How the New York State Income Tax Law Will Work

*By* EUGENE M. TRAVIS
State Comptroller

A CAMPAIGN of education by the Federal Government for the encouragement of thrift together with the unprecedented wealth and prosperity of the nation has done much to make practically every salary and wage earner an investor.

It will be of interest for readers to know certain provisions of the Personal Income Tax Law enacted by the legislature of the State of New York and made effective as of January 1, 1919. The enactment of this law was prompted by the loss of approximately twenty million dollars of liquor tax revenues caused by the ratification of the prohibition amendment to the Federal constitution and the rapidly increasing cost of government. Under this law, the tax is imposed upon individuals, estates and trusts.

The legislature had before it the federal income tax law and followed in most respects the provisions and general theory of that act. Perhaps fifty per cent. of the sections were copied sentence for sentence and word for word from the federal statute. Changes were made in the remainder to meet the conditions existing. Rates, however, are much lower and no surtaxes are imposed. They are 1 per cent. on the first $10,000 of taxable net income, two per cent. on the next $40,000 up to and including $50,000, and 3 per cent. on all sums in excess of $50,000.

It can easily be seen that the familiarity gained during recent years of the federal law will be of great assistance to taxpayers under the State Income Tax Law.

In general, gross income as defined in the federal statute is also gross income under the State law. It includes compensation for personal and professional services, business income, profits from sales and dealings in property, interest, rent, dividends and gains, profits and income derived from any source whatever unless exempted from tax by law.

### Exclusions from Gross Income

Among the income exempt from tax is interest upon the obligations of the United States, or its possessions, or securities issued under the provisions of the Farm Loan Act of July, 1916, or bonds issued by the War Finance Corporation or obligations of the State of New York or of any municipal corporation or political subdivision of this state.

Interest income from investments upon which the tax provided for in section 331 of the tax law, popularly known as the Investment Tax, is exempt from taxation when the investment tax was paid between June 1, 1917, and May 14, 1919, during the period of years for which such tax shall have been paid.

Dividends are held to be income for the year in which made payable, regardless of the time when the earnings and profits out of which they were paid were accumulated, except that dividends declared payable to stockholders prior to January 1, 1919, are to be excluded from gross income even if received after January 1, 1919. When dividends are paid in Liberty Bonds, the amount to be returned as income is the fair market value of the Liberty Bonds at the time the dividend is made payable.

### Stock Dividends Taxed

A dividend paid in stock of a corporation is income to the amount of the fair market value of the stock received as a dividend.

It will be interesting to know that even though the United States Supreme Court holds that the federal authorities cannot tax stock dividends, that such a decision will not be controlling upon State authorities for the reason that the State is not restricted by the same constitutional provisions as the federal government.

For the purpose of ascertaining the gain or loss from the sale, gift, exchange or other disposition of property, the basis is:

(a) Its fair market price or value as of January 1, 1919, if acquired prior thereto, or

(b) If acquired on or after that date, its cost or approved inventory value.

Under the state law, it is held that gifts whether charitable contributions or otherwise, constitute a disposition of property which may result in a profit or loss, being measured by the difference between the cost or value on January 1, 1919, if acquired prior thereto and the value at the date of the gift.

What the fair market value of property was on January 1, 1919, is a question of fact to be established by any evidence which will reasonably and adequately make it appear. In the case of securities dealt in on a recognized exchange, the fair market value as of January 1, 1919, will ordinarily be determined by the average of the bid and ask prices at the closing on December 31, 1918. In all other cases, other evidence of value is necessary and bona fide sales nearest January 1, 1919, of securities publicly or privately dealt in will be considered.

The expenses allowable as deductions from gross income in computing net income are practically the same as those under the federal law. A taxpayer is entitled to deduct all ordinary and necessary expenses in carrying on his business, trade, or profession including salaries, rents, taxes, losses not compensated for by insurance, debts ascertained to be worthless and actually charged off, together with a reasonable allowance for depreciation and obsolescence. A further deduction of not exceeding 15 per centum of the net income of a taxpayer is allowed for gifts or contributions made to charitable institutions organized under or existing pursuant to the laws of the State of New York.

Having made all deductions from gross income, one finds the amount of his net income and if a resident of the State, he is permitted an exemption of $1,000 if single or $2,000 if married and living with husband or wife, and $200 for each dependent under the age of eighteen years, or other person, who because physically or mentally incapacitated, is dependent upon him for support. This exemption is granted only to resident taxpayers.

This office has liberalized the provisions of the law granting exemptions. Under the federal requirements the status of the taxpayer at the end of the year determines the amount of exemption to which he is entitled. The State of New York, however, rules that a taxpayer is allowed the highest amount of exemption to which he was entitled at any time during the year.

In the case of a non-resident, the tax is imposed upon his entire net income from sources within New York State. This covers earnings from all property owned, or from any business, trade, profession or occupation carried on within this state. Income of other than residents, arising from annuities, interest on bank deposits, interest on bonds, notes, and other interest bearing obligations, or dividends from corporations is not taxed except to the extent to which it is part of profits from a business or profession carried on in this state by the taxpayer.

### Selling Securities Not Business by Non-Residents

Gains and profits of a non-resident from the sale, exchange or other disposition of stocks, bonds and other securities are not taxable and should not be included in gross income, except to the extent to which the same shall be a part of the income from a business carried on in the State of New York. This is so even though the transaction occurs in New York State or made on an exchange located within such State. Likewise, losses sustained from the sale, exchange or other disposition of stocks, bonds and other securities under these conditions are not deductible, except to the extent that they may be losses incurred in, because forming a sort of business carried on within the State.

Gross income of a non-resident includes all the profits derived from the sale, exchange or other disposition of real property located within the State of New York. It also includes all the profits derived from the sale, exchange or other disposition of personal property (other than stocks, bonds or other securities) having an actual situs within the State but not forming part of the assets of a business carried on within the State. Gross income from the sale, exchange or other disposition of real or personal property is determined in the same manner as gross income from similar sales by a resident.

# How I Handle My Own Funds

## *V.—Some Experiences in Mining Securities*

**By RICHARD D. WYCKOFF**

THE investor who always chooses securities of companies who constantly put money back into their respective properties, will scarcely ever go wrong, but he must be constantly on the alert to notice any change in policy due to altered conditions, or to control of the property getting into other hands. The New York, New Haven & Hartford Railroad was formerly an example of progressive and conservative management and for many decades was considered a high grade investment. But the time came when a policy of expansion brought the New Haven to grief. Of this there were many signs, especially when the persistent character of the liquidation indicated that something was wrong.

Carnegie said, "Put all your eggs in one basket and watch the basket." I would distribute my eggs and watch all of the baskets.

Never get married to a security. You may have it salted down, but there is no reason why you shouldn't freshen up your list every once in a while by going over and carefully considering what you hold and whether something else wouldn't work to better advantage for you. I find I get the best results by considering each investment a separate little business enterprise. When I buy a security I figure that while as a bondholder I am a creditor and my money is secured this is not true when I become a stockholder. That makes me a partner in the enterprise and as such I want to be a live partner, not a dead one; for if I don't look after my own interests nobody else will.

That explains one reason why I like to be associated in partnership with people who are high class in every respect—because I know that they are not lying awake nights planning ways to do me or the other stockholders out of our money. Possibly no corporation head is beyond criticism, but anyone who puts his dollars into corporations like U. S. Steel, Bethlehem Steel, General Motors, General Electric and other leaders in industry and finance may rest assured that these companies are being run by the highest type of industrial captains who are intent upon making their enterprises profitable to the hundreds of thousands of big and little stockholders.

"Choose your company" is therefore a good precept for the investor. There used to be a gang of highwaymen operating here in the Street and using the leading railroad and industrial shares as the scissors by which they parted the public from its money, but that day is rapidly passing. Leaders in finance learned long ago that they could make more money by the square deal than in any other manner. Nevertheless, I find that it pays to be sceptical until you are convinced by the past record of a management that they are working in your interest and not in their own.

### A Personal Investigation Pays

For my own benefit, as well as that of every reader of THE MAGAZINE OF WALL STREET, I am investigating these essential factors more than ever before. It is not enough for me to know that a certain development is indicated by the surface facts and conditions—I want to get down into the root of things and find out why. For this reason I employ investigators, lawyers, mining and oil engineers. I send people to different parts of the country to get the local color and all the angles on a proposition.

After employing one engineer I sometimes send another to check him up. It might cost a few thousand dollars, but when you are putting real money into an enterprise you cannot be too sure, nor investigate too thoroughly. Not long ago I had two mining enterprises put up to me, which on a cursory examination looked good. It cost me two thousand dollars to have these properties examined, and on the engineer's reports I turned them down. In one case the mine has turned out better than was first represented to me. Either or both of these properties might develop into big mining enterprises, but taking all the facts into consideration I concluded they were not good enough for me to invest in.

While an engineer's report is by no means the last word on a property, it is a hundred times better to have an expert opinion than to take your own or some other layman's view; yet the peculiar part of mining is that even though the most eminent engineers may give an adverse report on a property, it may eventually fool them.

COL. WILLIAM B. THOMPSON

Mining has a great fascination for me. In fact, what came out of the ground was always of peculiar interest to numerous members of the Wyckoff family. The original Wyckoff, after landing in New York in the early sixteen hundreds, had charge of Peter Stuyvesant's estate, which was located downtown here where the Hudson Terminal Building now stands. His descendant, my grandfather, who organized the Hanover Fire Insurance Co., and was one of the original interests in the Hanover National Bank, was also deeply interested in mining. He invented a separation process back in the Fifties and successfully mined gold in the State of Virginia before and during the Civil War near where the Battle of the Wilderness was fought.

If I had my business career to plan over again, I would be inclined to favor mining engineering, for it is an interesting profession; but in visiting numerous mining properties and watching the methods of engineers and the difficult conditions which often prevail in the different mines, I can readily see how Old Mother Earth can fool the best of them. For that reason I never go into a mining enterprise unless I am prepared to lose every cent I put into it.

### What to Know About a Mine

But there are many ways in which even a layman can check up such an imposing person as the mining engineer. I have made considerable money in mining stocks, and I expect to make a great deal more because I have learned a lot thus far and will use what knowledge I have to better advantage in the future. First of all, I want to know who are the interests behind the mine—whose dollars are alongside of mine? Have they a record for successfully developing other mining enterprises? What mistakes have they made? Were they fooled themselves or did they fool the stockholders—which or both? Along what line is the development work now proceeding? Is the company properly financed? What is the character and reputation of the engineer who is guiding the development work? Is the metal or mineral which they are producing such that an advantageous market is afforded now and at all times? If it is a gold, silver or copper mine, what is the outlook for those metals? Are future conditions so shaping themselves that the mine can be regarded as more or less of a manufacturing and therefore an investment proposition? Is the nature of the ore such that it will peter out within a few years, or is there a certain deposit of ascertainable value

which can be diamond-drilled and its value estimated? Under these conditions, what is the probable life of the mine and the estimated profit per share during that period? These and dozens of other questions are what I ask myself and others before putting my money into a property.

Some mines are highly speculative; some are at or approaching the investment stage. My problem is to get aboard the best of them before they get to a stage where the cream is all off. In other words, I want some of the cream, and in order to get it I frequently have to go in early and sit in for a long time before the skimming process can be accomplished.

Sometimes I go into a mining stock in order to derive a profit from the fluctuations in the market price, and other times to get my profit out of the ground. In order to illustrate this point I will explain an operation in Magma Copper, which stock I have held in substantial quantity for over four years.

I was coming downtown one day when a friend whom I met told me there was something doing in Magma, and suggested that I watch it. I did watch it, and saw that careful buying was proceeding. (I always lay more stress on the action of the market than on what anybody says.) As I remember, the stock originally came out at about $12 per share, rose to $18, then sold off to around $15. When he told me this it was up to $20, indicating that new influences were at work.

I decided to buy 200 shares and await further developments. The price hung around the same figure for a day or two, when suddenly my broker called me up and said Magma was 21 bid, whereupon I immediately gave him an order to buy 500 shares at the market. He had to pay 22 for some of it. I then bought another 500 shares, which cost me a point or so higher. As I always like to buy something that is "hard to purchase," the action of this stock pleased me very well, especially as it closed that night around 28 or 29.

Then I set out to find what it was all about, and I learned that the character of ore in Magma had been discovered to be such that if it was present in any great quantity the mine would be one of the most important in this country, for insiders would then consider it worth $200 per share. So I told my friends about it.

No doubt the bucket shops were heavily short of this stock, because when the urgent buying continued, the price rose rapidly, until in about three weeks it sold at 69, and I had about $55,000 profit on my 1,200 shares.

Did I take this profit? I did not. I did not go into it for that amount of money. Have I been joshed about not taking it during the time the stock has wiggled back and forth between 25 and 55 for the last four years? I have. Why did I not take it? I'll tell you. Because when I bought that stock I resolved that more money was to be made out of the mine than out of the fluctuations—unless someone was lying. And following my usual resolution to be prepared for the loss of whatever I put into any mine, I made up my mind to sit with Magma until it proved to be either a fake or a bonanza.

It has proved to be a bonanza, and although the stock is today selling for only one-half of its high price of 69, I not only have the same opinion of its future as was indicated in 1915, but I have many, many more reasons for believing in the soundness of the enterprise.

Magma Copper Company is capitalized at $1,500,000 authorized, and $1,200,000 outstanding stock of $5 par value. There being only 240,000 shares, a price of 35 represents a market value of $8,400,000. The leading interest is Col. William B. Thompson, who, in the last twelve or fifteen years, has made more millions in mining securities than any other man in Wall Street.

Ever since the real value of Magma was discovered Mr. Thompson and his friends have been steadily accumulating Magma, until now, out of the 240,000 shares, there are not more than 20,000 shares in the hands of the public. How do I know this? Because I have gone to very great trouble and expense to check it up from various angles. I am not taking anybody's word; I have got at the *facts*, not only from a Wall Street point of view. A few months ago I visited the property, and with my mining engineer went down to the 1,400-foot level. I saw 40% to 60% bornite on all sides of me in some of the tunnels and cross-cuts. The property is being developed on a tremendous scale, and now that its new shaft has been completed, it is ready for quantity production. Its silver and gold values so reduce the cost of its copper that it is one of the lowest priced producers in this country today. And down below there is a world of ore.

Those who know Colonel Thompson best say he will never sell his Magma. For my part, I intend to wait until I see him start to distribute, and then they can have mine.

Carping critics will say, "He's trying to boost Magma, so he can sell it." Let them carp. I don't care whether anyone who reads this buys Magma or not. It makes no difference either to Colonel Thompson, to me, or to my friends and subscribers who have bought the stock on the strength of what they have read in this publication, and who hold most of the 20,000 shares to which I have referred. All I wish to say to them is: Hold it, and you won't be sorry. As for professional parasites and self-appointed critics, let me call their attention to the fact that I talk, write, investigate, trade and invest in nearly all the securities on the New York Stock Exchange and outside at one time or another. Hence, criticisms may as well be prepared in advance and arranged alphabetically for easy and prompt access when required.

The experience in Magma illustrates the advantage of thoroughly investigating and then sticking to your holdings like grim death, or until something occurs which, for a definite reason, causes you to change your position. I do not claim that the paper profit in Magma thus far is any criterion, but I wish to emphasize the importance of making a resolution in connection with investment or speculative transactions and basing that resolution on sound premises—making of them a sort of statistical rock upon which you may place your feet and stand there indefinitely.

Lots of people have said, "Why didn't you sell out and buy back cheaper?" Personally, I have never made any money by trading backward, by which I refer to the hind-sight which is so frequently flourished in Wall Street as an indication that the flourisher is blessed with an acute foresight.

Had I sold at the high price, I could of course have bought back on a scale down, or at lower figure, then re-sold and re-bought, but as I have said, I was not in that kind of an operation, although it took considerable strength of purpose to resist at times. Ore in the ground, when combined with first-class management, ample capital and big personal commitments on the part of those who are running the property, is about as safe as money in the bank; but it must be the right kind of ore and in such quantity that it will yield a very large return in proportion to the original investment.

**No Need for Guessing**

Elsewhere the reader will find reference to the difficulty in waiting for a big profit, but in the main people have less trouble with their patience when they face a large loss. There is one way in which most of this difficulty can be overcome, and that is by carefully assembling the facts when you enter a commitment and continually checking up all along the line for the entire time that you hold it. There is no need for guess-work, if one will take the trouble. It is merely a question of how much labor and expense you are willing to go to in order to make your investment successful.

We succeed in proportion to the amount of energy and enterprise we use in going after results, which means that success is not for the man who is willing to sit down and wait for something to fall into his lap.

It is poor policy, I find, to wait for Opportunity to knock at your door. I train my ear so that I can hear an opportunity coming down the street long before it reaches my door. When Opportunity knocks, I try to reach out and grab Opportunity by the collar and yank it in.

*In the next issue Mr. Wyckoff will write something about "A Study of the Industries."*

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"If you choose to represent the various parts of life by holes upon a table, of different shapes—some circular, some triangular, some square, some oblong—and the persons acting these parts by bits of wood of similar shapes we shall generally find that the triangular person has got into the square hole, the oblong into the triangular, and a square person has squeezed himself into a round hole. The officer and the office, the doer and the thing done, seldom fit so exactly that we can say that they were almost made for each other."—Sydney Smith.

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"Even in the meanest sorts of labor, the whole soul of a man is composed into a kind of real harmony the instant he sets himself to work."—Carlyle.

# The Economic Situation Abroad

## The Status of European Countries Analyzed—Prospects for Foreign Trade—The Outlook for the Year

## Germany

**Cession of Territory Does Not Affect Seriously Sources of Revenue—Outlook for the New Year**

NOTWITHSTANDING serious losses which the new Republic of Germany will suffer through the annexation of Alsace-Lorraine and the Saar Basin and of Upper Silesia by France and Poland respectively, Germany will still be in possession of valuable sources of revenue. The importance of these will no doubt increase considerably, particularly since all commerce in exchange for which the old empire received machinery needed in other fields. As to the remaining mine industries the losses are less serious and in many cases negligible.

Table II exhibits the sources of revenue from other important industries.

Table II shows that losses accrued through the peace conditions are not of such great significance as some wish us to believe. Conditions in general are promising, and if the Germans will exert all their efforts and concentrate it on the reestablishment of their former economic strength, the prospects are bright.

TABLE I.—HOW GERMANY'S PRESENT MINING RESOURCES COMPARE WITH THOSE BEFORE THE WAR.

| | Coal | Iron & Steel | Lead, Silver Zinc | Sulphuric Ore | Salt Mines | Salt Works | Coke | Lead Silver, Copper Works | Zinc Works | Sulphuric Works | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *German Empire* | | | | | | | | | | | |
| No. of factories.......... | 430 | 2,495 | 68 | 19 | 153 | 72 | 202 | 49 | 31 | 107 | 3,626 |
| Prod. in tons............ | 197,000,000 | 82,200,000 | 3,000,000 | 300,000 | 13,000,000 | 100,000 | 35,000,000 | 600,000 | 4,000,000 | 2,000,000 | 334,200,000 |
| *Upper Silesia* | | | | | | | | | | | |
| No. of factories.......... | 64 | 88 | 12 | 8 | ... | ... | 18 | 3 | 18 | 9 | 220 |
| Prod. in tons........... | 44,600,000 | 4,300,000 | 1,000,00ſ | 400 | ... | ... | 300,000 | 100,000 | 200,000 | 200,000 | 50,700,400 |
| *Alsace-Lorraine* | | | | | | | | | | | |
| No. of factories.......... | 4 | 123 | ... | ... | 11 | 8 | 3 | ... | ... | 2 | 151 |
| Prod. in tons........... | 4,200,000 | 29,000,008 | ... | ... | 400,000 | 100,000 | 200,000 | ... | ... | 13,000 | 33,913,008 |
| *Saar-Basin* | | | | | | | | | | | |
| No. of factories.......... | 17 | 40 | ... | ... | ... | ... | 8 | ... | ... | ... | 65 |
| Prod. in tons........... | 13,200,000 | 4,530,000 | ... | ... | ... | ... | 20,000 | ... | ... | ... | 17,930,000 |
| *Total Losses* | | | | | | | | | | | |
| Factories ............... | 85 | 251 | 12 | 8 | 11 | 8 | 29 | 3 | 18 | 11 | 436 |
| In tons ................. | 62,000,000 | 37,830,000 | 1,000,000 | 400 | 400,000 | 100,000 | 520,000 | 100,000 | 200,000 | 213,000 | 102,363,408 |
| *German Republic* | | | | | | | | | | | |
| No. of factories.......... | 345 | 2,244 | 54 | 11 | 142 | 64 | 173 | 46 | 13 | 98 | 3,190 |
| Prod. in tons............ | 135,000,000 | 44,369,992 | 2,000,000 | 299,600 | 12,600,000 | 600,000 | 34,480,000 | 500,000 | 200,000 | 1,787,000 | 231,836,592 |
| *Per Cent of Pre-War Resources* | | | | | | | | | | | |
| Factories ............... | 80.2 | 89.9 | 79.4 | 57.9 | 92.8 | 88.9 | 85.6 | 94.0 | 41.9 | 91.6 | 88.0 |
| Production ............... | 68.6 | 54.0 | 66.7 | 99.9 | 97.0 | 85.6 | 98.5 | 83.3 | 50.0 | 89.9 | 69.4 |

Germany is fully aware of her present situation, and will do her utmost to obtain the best possible results from the operation of industrial concerns that were left her.

I have prepared two tables* which will exhibit clearly the total production by various industries of all of Germany prior to the war, the value of this production in marks, the number of operating factories, as well as the production of the most important industries in the ceded provinces.

Table I shows Germany's mining resources in 1913 and after the conclusion of peace.

From this table we note an appreciable loss in the iron and steel industry, the very marked reduction of the pre-war production which gives a fair idea as to the tremendous tasks the German iron industry must face. This, of course, will render difficult not only an attempt to revive the German Merchant Marine, which the new republic regards as one of its foremost tasks, but also the construction of agricultural machinery equipment needed for the planned renewal and the expansion of the poor transportation system and the construction of aqueducts. We must further remember that the manufactured products of the iron industry played quite an important part in the German world

*Cf. Die Eroeffnungsbilanz der deutschen Friedenswirtschaft, by Dr. E. F. Hamburger and E. Mosich, Oldenburg, 1919.

## Serbia

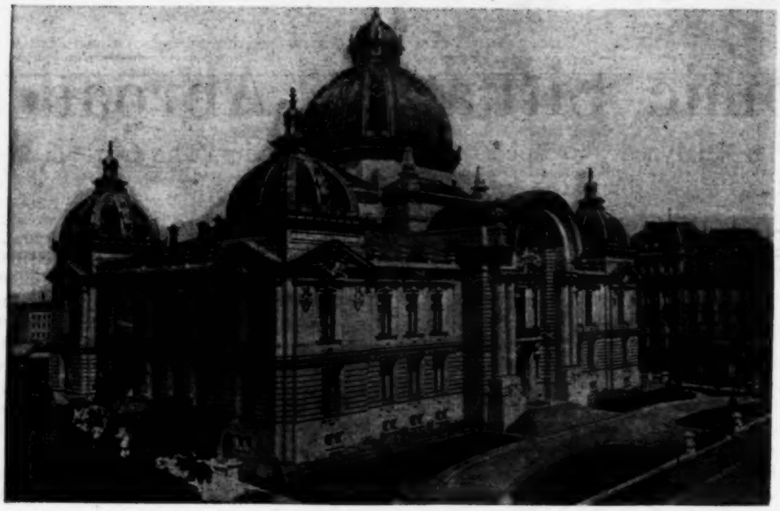
**Needs Our Assistance**

FROM our Serbian correspondent, we learn that owing to lack of materials, labor and money, no steps have yet been taken by the Serbian authorities to restore the numerous residences, public buildings and other property that fell under German and Austrian bombardment. The whole country has a gloomy depressed air about it and its atmosphere is shared by the people who are still mourning its losses, suffered during the uninterrupted series of wars since 1911. Most of the stores, some of which are closed entirely, display only scanty stocks. Cheap jewels and gems are brought in from Germany and the neighboring parts of what was once the Dual Monarchy, while perfume and other toilet articles find their way from France. Clothing of all kinds is very high in price and the purchasing power of the dinar has dropped to unusually low levels. Strained by the long period of war, the country is almost destitute to accomplish the tremendous task of reconstruction herself, and hopefully looks to the United States to help her in this direction.

*Photo from Underwood & Underwood.*

**THE CAPITAL OF SERBIA**

**Belgrade, on the River Save, is today at a standstill economically, and its inhabitants, in company with all Serbians, are hoping desperately that America will come to their aid**



**THE CASA NATIONALA**

**In this bank, the leading financial institution of Roumania, Transylvania and Bukowina, the majority of the stock is held by Græco-Oriental Religious Fund**

# Austria

THE appointment of Dr. Richard Reisch to the position of Chief of the Treasury is an attempt to save what was once the "Dual Monarchy."

As a university professor, Dr. Reisch has been very prominent in financial and economic circles, being known chiefly for his standard work "Bilanz und Steuer." He was very successful as an official of the Austrian Ministry of Finance and also in his recent capacity of manager of the investment department of the Bodencreditanstalt. He is looked upon as one who is able to help the country out of its seemingly hopeless financial condition as typified by the chaotic and almost desperate exchange situation.

Dr. Reisch's first duty as outlined by the majority parties of the Reichsrat, the Social Democrats and the Clericals, will be to settle the question of the taxation of property. His policies in brief are as follow: Taxes imposed upon corporations are to be very high, those upon cities and villages moderate. War loans are to be accepted in lieu of currency at a rate to be fixed by the department, but which will probably amount to about 75% of ordinary currency.

Dr. Reisch also plans to increase both direct and indirect taxes, especially railroad fares and rates and the prices of salt and tobacco, which are state monopolies. To solve the money question he proposes to establish a currency bank with the assistance of foreign financiers from whom he expects aid in advancing the rate of exchange in return for the valuable bank privileges they are offered.

On the whole, one fails to see how Austria, stripped of practically all sources of income, will be able to emerge unaided from the abyss into which she has fallen. She needs the aid of a most energetic foreign hand which will lift her up from the depths of her misery. The country is waiting to see if the Entente, which has denied Austria the right to join Germany and condemned her to "independence," will create the prerequisites of economic and financial existence. Without these, the country cannot by any means be helped, however capable a man she may have at the head of the Treasury and however zealous the people may be to "work and save."

# Roumania

**Great Possibilities in Lumber Industry—Opportunity for American Investors**

FROM our Roumanian correspondent, who is an expert in the lumber industry, having been connected with the internationally known lumber factory of Johan Kuhud & Fin, Fabrica de Cuie de Lernn Exploitare de Padure, Piatra-Neamti, we obtain a very clear picture of the lumber industry in Roumania, Transylvania and Bukowina.

In connection with circulated rumors to the effect that a large American corporation has already started or is about to start negotiations with the Roumanian Government and the Greco-Oriental Religious Fund, sole owner of large lumber areas in Bukowina, it will be interesting to see how bright the prospects are in that particular line of business.

According to the report, which is dated December 2d, the tens of thousands of acres in the lumber territory in Roumania proper and in the annexed provinces of Transylvania and Bukowina, have been affected but slightly by the great war, and are offered for sale at the average price of 17½ lei per cu. meter, or about 64c in American money at the present low rate of exchange, which adds considerably to the attractiveness of the investment. There is also offered for sale in connection with the forest, lumber cutting factories, completely equipped with 6, 7, 10, and in some cases as many as 12 "cutters." With almost every factory purchased is also offered for sale a large acreage of forest land with a working capacity from between 15 and 20 years. Factories located in the Carpathian districts of Bukowina and Transylvania have a far greater capacity, due to the extraordinary richness of the lumber area there.

The accompanying table gives an idea of the cost of production in lei and in dollars.

| Price of one cu. meter raw wood | Lei | Cost in dollars |
|---|---|---|
| Cutting of tree | 17.25 | .60 |
| Transportation to factory | 5.00 | .19 |
| Cutting and Manipulation | 20.00 | .70 |
| Depreciation, other expenses | 5.00 | .19 |
| Total | 47.25 | $1.68 |

Considering that one cu. meter of raw material yields more than 60 per cent. finished product, the outlook for eventual investors seems excellent.

TABLE II.—GERMAN FACTORY CAPACITY BEFORE AND AFTER THE WAR.

| | Silk | Cotton | Textile Industry | Tech. Leather Articles | Cement Industry | Leather Tannery | Coal and Tar | Petroleum Refining | Carbon Chemical | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| *German Empire* | | | | | | | | | | |
| No. of factories | 386 | 422 | 1,574 | 267 | 139 | 1,387 | 146 | 47 | 74 | 4,442 |
| Prod. in mill. marks | 331,480 | 686,844 | 1,542,691 | 53,288 | 105,287 | 707,876 | 53,271 | 70,868 | 21,298 | 3,572,903 |
| *Upper Silesia* | | | | | | | | | | |
| No. of factories | ... | ... | 3 | 2 | 10 | 15 | 3 | 2 | 2 | 37 |
| Prod. in mill. marks | ... | ... | 3,439 | 161 | 17,192 | 3,650 | 6,389 | 832 | 324 | 31,987 |
| *Alsace-Lorraine* | | | | | | | | | | |
| No. of factories | 18 | 47 | 125 | 10 | 7 | 22 | 2 | 5 | 2 | 238 |
| Prod. in mill. marks | 26,019 | 99,672 | 187,679 | 1,488 | 7,057 | 36,194 | 467 | 5,373 | 75 | 364,024 |
| *Sarre-Basin* | | | | | | | | | | |
| No. of factories | ... | ... | 1 | 3 | 2 | 6 | ... | ... | 2 | 14 |
| Prod. in mill, marks | ... | ... | 345 | 334 | 130 | 8,284 | ... | ... | 41 | 9,134 |
| *Total Losses* | | | | | | | | | | |
| Factories | 18 | 47 | 129 | 15 | 19 | 43 | 5 | 7 | 6 | 289 |
| In mill. marks | 26,019 | 99,672 | 191,463 | 1,983 | 24,379 | 48,128 | 6,856 | 6,205 | 440 | 405,145 |
| *German Republic* | | | | | | | | | | |
| No. of factories | 368 | 375 | 1,445 | 252 | 120 | 1,344 | 141 | 40 | 68 | 4,153 |
| Prod. in mill. marks | 305,461 | 587,172 | 1,351,228 | 51,305 | 80,908 | 659,748 | 46,415 | 64,663 | 20,858 | 3,167,758 |
| *Per cent of Pre-War Resources* | | | | | | | | | | |
| Factories | 95.4 | 88.9 | 93.4 | 94.4 | 86.3 | 96.9 | 97.9 | 85.1 | 91.9 | 91.0 |
| Production | 92.2 | 85.5 | 81.1 | 96.3 | 76.8 | 93.2 | 87.1 | 91.2 | 97.9 | 88.7 |

# What Thinking Men Are Saying

## Discussion Is Now Centering on the Nation's Domestic Problems

### GOVERNMENT MUST REDUCE ADMINISTRATIVE EXPENSES

**Governor Coolidge Urges Economy and Policy of Conservation**

"New enterprises should be undertaken only in case of the most urgent public necessity. In general, it is a time to conserve, to retrench rather than to reform, a time to stabilize the administration of the present laws rather than to seek new legislation.

"It is not a policy of recession that is proposed, but a policy of conservation. All progress is the result of economy. In this the government ought always to lead. At a time of national peril economy has a different meaning than at a time of security. We have encountered and overcome our peril. But there is a tendency to maintain the same lavish expenditure. Government expenses must now be reduced from a war to a peace basis.

"It is impossible to escape the conclusion that high taxes make high prices. So long as the cost of government is high the cost of living will be high. This is usually a source of misunderstanding and always a source of discontent. The duty that Government now owes to the people is to reduce their burdens by paying off the obligations that came from the war rather than imposing additional burdens for the support of new projects. The Commonwealth needs a double portion of the civilizing influence of conservation and economy. Having met our war obligation to pay, let us meet our peace obligation to save."

### BANKS MUST AVOID LONG TERM CREDITS

**Gov. Harding, of Reserve Board, Says Policy Should Be to Maintain Liquid Condition**

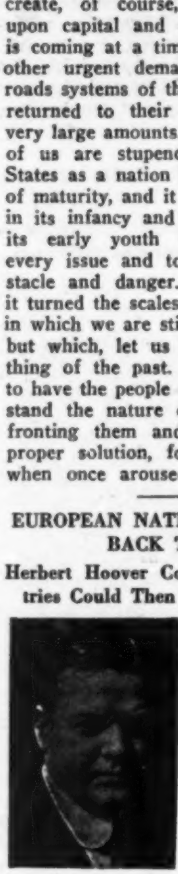
"It is highly important that all long credits granted in connection with exports be kept out of the banks whose policy should be to maintain themselves in a liquid condition.

"There seems to be no reason to expect that any more large loans by the Government for financing exports will be authorized. Such a policy would mean either more taxation or more bonds; it would mean a return to wartime methods of financing after we have turned our backs upon such methods and are directing our steps towards the methods and policies of peace financing; it would mean that funds belonging to all the people would be applied in time of peace to the more direct benefit of exporters and of those who produce goods for export.

"The sale of foreign securities either directly or indirectly through corporations operating under the new law will create, of course, additional demands upon capital and credit. This demand is coming at a time when there will be other urgent demands. The great railroads systems of the country, soon to be returned to their owners, will require very large amounts. The problems ahead of us are stupendous, but the United States as a nation has reached the years of maturity, and it has never failed even in its infancy and during the period of its early youth to meet successfully every issue and to overcome every obstacle and danger. As a sturdy giant it turned the scales to victory in the war in which we are still technically engaged, but which, let us hope, will soon be a thing of the past. It is necessary only to have the people of this country understand the nature of the problems confronting them and the need for their proper solution, for our national spirit when once aroused is invincible."

### EUROPEAN NATIONS SHOULD GET BACK TO WORK

**Herbert Hoover Contends Foreign Countries Could Then Finance Themselves**



"If European nations will get back to work and rehabilitate their economic status they will be able to establish commercial credits ample to satisfy their needs. There devolves upon the United States goveernment the moral obligation only to defer this year's interest on the war loans to the Allies and to provide breadstuffs on credit to the inhabitants of some of the larger centers of population, aproximately 15,000,000 or 20,000,000 persons.

"Our taxes are now 600 per cent over pre-war rates. We simply cannot increase this burden. Rather, the problem is one of early reduction.

"Outside of interest to the Allies, Great Britain states that she wants nothing but commercial credits. These she can obtain if she puts up her ample collateral assets. France also has unpledged foreign assets that would cover most of her important needs.

"It would not be inappropriate for the 70,000,000 people of Central European countries to manifest a disposition to aid in European relief.

"Italy can furnish commerical credits to fill all her needs, save in some of the larger cities. Germany could pay or obtain commercial credits if the reparation commission would permit her to use her domestic resources and unpledged foreign assets. Bulgaria, Greater Serbia, Rumania, South Russia and Turkey (except Armenia) have enough of a food surplus to export some of it. Hungary could feed herself, if Rumania would return the cattle and grain she took last summer.

"We are therefore left with Finland, Belgium, Poland, Czecho-Slovakia and Austria to consider. Austria is the sorest point in Europe, and while she must be fed this winter, the Allies should be made to realize that any assistance from us is upon condition she is free to make such political associations as will take her out of a perpetual poorhouse."

### COSTS WILL STAY UP UNTIL PRODUCTION INCREASES

**Secretary of Labor Wilson Says Government Can Do Little to Improve Conditions**

"The Democratic party would be guilty of a tactical error if it went before the people with the promise of a material reduction in the cost of living.

"Beyond getting after the profiteers and combinations in restraint of trade, the government can do little to reduce costs which must remain high until the world's productivity meets the world's demands.

"All classes are better off today than they ever were before despite the high cost of living, popular opinion to the contrary. The exception to this rule is the salaried class, the farmer, labor and other classes never having been so prosperous as now. These things ought to be made known to the people during the campaign now opening."

### REACTION IN PRICES WOULD MEAN INTENSE SUFFERING

**Royal Meeker, Commissioner of Labor Statistics, Believes High Prices Better for All**

"People generally are yearning so intently for lower prices that they have not thought much about the results of falling prices. The prices we kicked about in 1913 have come to be regarded as ideal. The sufferings already endured by the people through rising prices will be multiplied tenfold if prices drop within the next seven years to the 1913 level. A period of falling prices is always a

time of business depression, failures and unemployment

"The Governments of the world cannot reduce their indebtedness suddenly, and the credit which will have to be extended to Europe by this country will produce further inflation, thus boosting prices still higher. Similarly, the world's production of goods cannot be increased suddenly. For that reason, fear that Europe will flood American markets to the detriment of domestic industry is unfounded."

### EXCESS PROFIT TAX CAUSES INFLATED PRICES

**Rep. Copley, of Illinois, Says It Adds Heavily to Cost of Living**

"There is no question but that the excess profits tax is inequitable. It causes inflated prices which add an average of from $30 to $35 a year to the cost ol living of each individual or from $150 to $175 per year for the average family of five. This extra cost and more will be eliminated by the repeal of the excess profits tax.

"Any individual no matter what his income is can well afford to pay a higher rate of normal tax if the excess profit tax is eliminated. The men of large incomes will bear the real burden of the increased normal tax which is as it should be."

### AMERICA SERIOUSLY NEEDS NEW OIL SUPPLY

**Director Smith, of Geological Survey Warns That Our Domestic Resources Are Perilously Low**

"The position of the United States in regard to oil can best be characterized as precarious. Using more than one-third of a billion barrels a year, we are drawing not only from the underground pools, but also from storage, and both of these supplies are limited. Last year the contribution direct from our wells was 356,000,000 barrels, or more than one-twentieth of the amount estimated by the survey geologists as the content of our underground reserve; we also drew from storage 24,000,000 barrels, or nearly one-fifth of what remains above ground. Even if there be no further increase in output due to increased demand, is not this a pace that will kill the industry? Even though we glory in the fact that we contributed 80 per cent. of the great quantity needed to meet requirements of the Allies during the war, is not our world leadership more spectacular than safe? And even though the United States may today be the largest oil producer and though it consumes nearly 75 per cent. of the world's output of oil, it is not a minute too early to take counsel with ourselves and call the attention of the American geologists, engineers, capitalists and legislators to the need of an oil supply for the future."

### FOREIGN SECURITIES MARKET SHOULD BE OPENED HERE

**Eugene Meyer Proposes to Familiarize American Investors With Foreign Issues**

As a solution of the crisis in foreign exchange, Eugene Meyer, Jr., advocates the establishment in this country of a market for international securities. In a recent statement, Mr. Meyer said, concerning his plan:

"There is nothing new in the idea. However, it will be new for this country to have public markets for foreign securities in foreign currency terms. Our position having changed from that of a debtor nation to that of a creditor, our banking machinery and our security markets must reverse the processes and the machinery designed to facilitate business when we were borrowers of capital instead of lenders, as at present.

"We must build up a new financial structure for our altered commercial relations, and the establishment of an international public market for international securities is, in my opinion, the most normal, the quickest and the most important single thing that can be done now."

### CONSOLIDATE OUR RAILROADS TO INCREASE THEIR EFFICIENCY

**Walker Hines Believes Consolidation Would Avoid Government Operation**

"I believe there must be a definite standard by which the reasonableness of the general rate level can be measured. In my opinion Congress should establish a general but workable standard and leave to the rate-making body application of this standard, according to facts.

"I do not believe any form of railroad operation can permanently succeed when conducted through so many different railroad managements as at present. The interests are almost completely homogeneous because the public wants adequate service and a complete interchange of equipment in order to obtain that service and, of course, enjoys uniform rates regardless of the railroad on which the traffic is carried. The labor interest involved was largely homogenous before the war and is almost completely so at present. We cannot, therefore, hope to succeed with a heterogeneous lot of railroad managements, about half of a dominant character. The variations of prosperity and adversity will baffle people trying to understand the real facts as to their needs. I believe to avoid Government ownership it will be essential to consolidate the railroads into a few great corporations upon the managements of which the public and labor will be adequately represented."

### RAILROAD CREDIT DEPENDS ON INCREASED INCOME

**Dr. Emory Johnson Sees Higher Rates as Only Salvation of Private Ownership**

"Can the railroads be successfully financed and operated when they are returned to their owners? For two years the Government has drawn upon the public treasury to sustain the credit of carriers; after the first of March the companies must be self-supporting, or become bankrupt.

"If the carriers avoid failure their income must cover operating expenses, maintenance, and capital charges; if the companies succeed to the extent that is demanded in public interest, they must not only be able to meet unavoidable expenses, they must have some surplus revenue. If there is no income to be used in part for betterments and in part for building up a surplus, or reserve fund, the public will not invest in the railroads, their credit cannot be re-established and maintained, and corporate ownership and operation of the railways will fail."

### RUSSIA SLOWLY EMERGING FROM POVERTY AND REVOLUTION

**Leslie Urquhart Anticipates Early Recovery of Once Great Nation**

"There is no doubt that the question of transport, as in every other country in the world, is at the present time, and will be for some time after stable government is re-established in Russia, one of the greatest difficulties to overcome in resuscitating the economic life of the country. But it is for this very reason that the nature of our business, in view of the essential commodities we produce, places our enterprises in a particularly favorable position.

"The inherent value of our properties lies in their enormous resources of metals—copper, zinc, lead, gold and silver—and in the great deposits of coal. These are intact, and, so far from depreciating in value, they being commodities, have followed the course of all other commodities today, and have risen in value—a rise that has been to only a small extent allowed for in our estimates. As to the plants, so far as we know, these are undamaged, and they, too, have appreciated in value and from the same causes, so that, as a whole, we see our material assets greatly enhanced by world conditions that appear likely to continue for years to come.

"Finally, we have seen that Bolshevism as a possible form of Government is bankrupt. Bolshevism, or any other insanity of the moment, can never become the permanent policy of the Russian State, and the signs are not wanting that Bolshevism is nearing its end, and that the Russian people will rise again chastened, a great, powerful and conservative nation, a safeguard for civilization and the good of the world."

### EXPECTS NO RECESSIONS IN PRICES OF FOOD

**Secy. McCurdy, of London, Links Prices Up With Economic Conditions**

"The world can expect no relief from the present high cost of living and the shortage of commodities until the widespread social and industrial unrest has disappeared and the war-shattered economic machinery has been put in order. We have Bolshevism at one end of the world and widespread strikes at the other and not until society resumes its normal course can we right economic conditions."

# Leading Financial Interests Predict Prosperous Year

WE reproduce here excerpts from statements made by prominent bankers and financiers concerning the outlook for 1920 as recently printed in such newspapers as the New York *Evening Post*, New York *Times* and Pittsburgh *Press*.

General opinion seems to concur in the belief that, although the year will require the solution of many complex problems, fundamental conditions and the tremendous resources of the United States will prove ample to cope with each situation as it arises, assuring the country of a generally prosperous year.

### BIGGEST DIFFICULTY AHEAD IS TO PRODUCE ENOUGH

**James S. Alexander Believes, However, That 1920 Will Be a Prosperous Year**

"The continuance during the coming year of the industrial activity and general prosperity which the United States has experienced during the year now ended may reasonably be expected, provided certain essential factors in the situation are recognized frankly and sound judgment is used in dealing with them.

"The present difficulty is in producing enough. At the conclusion of hostilities stocks of commodities generally were abnormally low. Since then demands for goods, both for domestic use and for export, have been tremendous. Production during the past year has fallen far short of satisfying these demands, and the situation, therefore, is favorable to continued and increased industrial activity."

### EXPECTS GRADUAL REACTION FOLLOWING DEFLATED PRICES

**Paul M. Warburg Does Not Fear Any Sudden Collapse, However**

"I look for a movement of reaction.

"Prices should begin to recede, because in strong countries inflation should soon find its end, and because foreign purchases will decline in volume owing to the collapse of foreign exchanges.

"I do not anticipate any sudden radical changes. I expect a steady progress towards a reasonable degree of co-operation on the part of the employed in the management of the affairs of the employer, particularly with respect to the conditions of employment. I believe, on the other hand, that labor will recognize in a growing degree that prosperity of employer and employed are linked together and that both may look forward to conditions of affluence only on a basis of increasing efficiency, and not of decreased productivity.

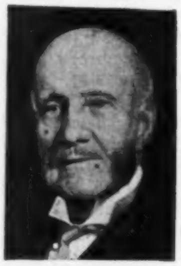
"The year 1920 for Europe, in my opinion, will be one of great strain. In the coming year all countries must make desperate efforts to stop inflation.

"I believe our exports to Europe in 1920 will decline. They could not, at best, continue on the phenomenal scale of the past years. Moreover, Europe's borrowing power is fairly well strained and our investment markets at present are oversaturated.

"At present the situation looks most discouraging because there is no evidence of financial leadership or concerted action at the very moment when the world needs it more than ever. The conscience of those in charge of our fate appears to be dulled, or they are so lacking in imagination that they cannot perceive the imminent grave suffering and dangers that face the world."

### NECESSITY OF SELF-CONTROL MORE MARKED THAN EVER

**Henry Clews Predicts Strong and Active Business Development**



"Facing the year 1920, the United States stands as the only free gold market in the world, and by far the greatest holder of gold in the world, as the only important market for capital on a large scale and as the most extensive source of raw materials as well as of manufacturing now in existence. Its labor is fully employed and its productive energies have more than an ample field for their application. This inevitably means a continuance of a strong and active business development.

"The outlook for 1920, given due business caution, is hopeful; but the difficulties to be overcome are great and the necessity for self-control in the use of credit is more marked than for a long time past. However, as the year closed a distinctly more cheerful feeling was discernable in the Wall Street district; this was evidenced by the increased demand for the standard shares on the belief that the market will be entitled to the customary January rise."

### ECONOMIC READJUSTMENT APPEARS TO BE INEVITABLE

**A. Barton Hepburn Likens Present Conditions to Those Following Civil War**

"The exuberant spirits, the speculative mania that possessed our people in 1865 convinced them that the then level of prices would be maintained, that a new era had dawned and that we never would go back, approximately even, to pre-war prices. The country lived in this fool's paradise until 1872-3, when a severe panic and general cataclysm taught people that economic laws were bound to assert themselves in the end. They may be trifled with, defeated for a time, but readjustment is inevitable.

"We hear the same comments now. The world has advanced, men have come into their own; the present high level of prices has come to stay. Do you think wheat will continue to sell for over $2 a bushel? Do you think carpenters, brick layers, etc., will continue to be paid $1 an hour for a short day and 50 per cent. increase for overtime? A reaction from the present high level of all things is inevitable. The only question is, whether experience in the past and knowledge of economic laws will teach people to bring about this recession gradually, or whether things will go on as it did following the Civil War until the credit fabric bursts and a debacle ensues."

### EXPORTS WILL DECLINE AS OUR IMPORTS INCREASE

**Dwight Morrow Would Welcome Restored Balance in Foreign Trade**

"I believe that the exports from the United States to Europe must gradually diminish and that the imports into this country from Europe must gradually increase. Neither of these results should be deplored. The world will be better off when the wheat fields of Rumania and of Russia are made productive again for the people of Europe, and this country will be better off as a part of that improved world. Moreover, at a time when we are complaining of the high cost of living, we should welcome an increase in our imports of those things that Europe can make for us better than we can make them for ourselves."

### INDUSTRIAL ACTIVITY HAS YET TO REACH MAXIMUM

**Professor Hollander, of Johns Hopkins Expects Only Slight Price Recessions**

"Industrial activity has probably not yet reached its maximum, and the upward movement may continue throughout the coming year. Whether the inevitable reaction from the wastes and excesses of the war will begin to make itself felt earlier will depend upon the intelligence and effectiveness of Congressional and administrative action.

"The two dominating price tendencies in 1920 are likely to be (a) further expansion of note and deposit currency in connection with the Treasury's unwise policy of flat credit creation by certificate borrowing, and (b) increased production of goods and services. The first factor will tend to send prices higher; the second to bring them lower. It is not fanciful to suppose that the outcome may be a

moderate fluctuation about the existing level, or at best a sluggish recession therefrom.

"Save in the more unfortunate areas I look for a quick financial and industrial recuperation of Europe."

## AMERICA WILL EMERGE FROM PRESENT CRISIS

### James B. Forgan Looks for Return of Normal Conditions in Due Time

"The ultimate hope for a speedy return to more normal conditions depends on the capability of our people to produce more and save more, and thus gradually absorb the outstanding war obligations. The Federal Reserve Board can only assist such a movement; it cannot by its own power produce a sudden and complete change. Our country is possessed of enormous resources in all directions, and our people showed during the war that in times of crisis they are able to make all sacrifices asked of them. It is not to be doubted that we shall pass safely through the present crisis. There is no need of despairing and becoming impatient. The experience of the Napoleonic wars and of our own Civil War shows that it takes a long time for nations to overcome the effects of great wars as regards finance, industry and commerce. The war through which we have just passed has been a so much greater cataclysm than any other that has preceded it that we must not expect a complete return to normal for several years."

## PATIENCE AND SANE TREATMENT WILL RESTORE EUROPE'S BALANCE

### George M. Reynolds Says Time to Curb Speculation Is at Hand

"It is a year since the armistice was signed, but we still have many unsolved problems. Fortunately the financial condition in the United States is sound, the Federal Reserve system and the banks being abundantly able to meet every legitimate requirement, but it might better be understood now than later that the time to curb speculation in land, commodities, farm products and securities is at hand. In many of the European countries the monetary condition is anything but encouraging. To say nothing of their enormous public debts, the balance of trade has been against those countries so long as to leave them badly in debt on merchandise account, and they have issued such large sums of currency as greatly to cheapen their money. However, with sane treatment and patience the business affairs of the Old World can be put in order in time.

"Our foreign trade will undoubtedly suffer a decline. Any other outcome, considering the extraordinary totals attained the last few years, with the balance of trade so much in our favor, and the strained condition of foreign exchange resulting therefrom, would be surprising. The thought of a recession ought to spur us on to organized, systematic efforts to hold our fair share of international commerce in the future. Here the problems of labor and other costs, ocean shipping and foreign financing, especially the latter, loom large."

## PROSPECTS WARRANT A CONSERVATIVE OPTIMISM

### John L. Lonsdale Does Not Expect Smooth Sailing Until Certain Problems Are Solved

"To forecast what is to happen in 1920 is to risk a crude guess. One might make a long list of the favorable factors in the outlook, and an equally long list of the unfavorable, and then, by alternately considering these lists, might at one moment be the most joyous of optimists and the next moment the most depressed of pessimists. On the whole, it seems that the optimist has a shade the better of the argument, for we have apparently made a start toward social and economic normality. It would be folly, nevertheless, to assume that there is smooth sailing ahead until we solve some, at least, of the problems arising from the following named causes: The unsettled Peace Treaty; European requirements in respect to food and materials; falling foreign exchanges; Mexican unsettlement; impaired credits of railroads, and the need of railroad improvements and extensions; unscientific taxation, discouraging enterprise; radical labor demands; socialistic agitation; high cost of living; currency and credit inflation."

## NOTHING BUT OPTIMISM IN THE SOUTHWEST

### W. T. Kemper, of Kansas City, Expects Steadier Business Conditions in Coming Year

"Based upon the experience of the last thirty years the average commodity price will continue downward until the spring of 1921. Disturbing factors will no doubt affect the trend, but only temporarily, and we may probably look for the lowest point about March, 1921.

"Based upon the above trend of the prices of all commodities, and taking into consideration the world's demand for foodstuffs, it is probable that livestock prices will average almost as high during 1920 as the average of 1919, which means that higher prices would obtain early in 1920 than today's quotations.

"It is not improbable that the per capita business of 1920 will be somewhat less than the present year, with smaller bank clearings, less money in circulation, and lower average wages in many lines. However, this decidedly does not mean business depression nor decline in prosperity over the country. As a matter of fact, business may find itself upon a more even keel, which would be preferable to the uncertainty of the closing months of 1919. Although going through a period of readjustment, we find nothing but genuine optimism in Kansas City and the Southwest."

## WOULD GO "LONG," NOT "SHORT" ON THE UNITED STATES

### David R. Forgan Looks for Fewer Labor Troubles in 1920

"I believe that strikes which, in their very nature are temporary, are past their worst, and that in the coming year there will be fewer of them.

"I believe that the present shortage of goods, high prices and extravagant demand will continue well into 1920, and that our artificial prosperity will therefore continue for many months to come. When production catches up with demand the present strained conditions will be modified.

"I believe that the Federal Reserve System has worked admirably during the past year, and is quite capable of taking care of the financial situation during the year to come. It can only indirectly curtail speculation, but so far as it can, it should discourage further expansion of credit for speculative or even industrial purposes. It should now notify the banks to adopt as a policy the constant reduction of loans secured by Government bonds. With these gradually liquidated there would be ample funds for all legitimate business purposes.

"I believe that the railroads should be retained by the Government until a satisfactory settlement of this our most pressing problem has been achieved, and I am optimistic enough to believe that this will be done.

"Finally, I still believe in going 'long' and not 'short' on the United States of America."

## PUBLIC MUST CO-OPERATE TO RESTORE EUROPEAN TRADE

### Alfred L. Aiken, of Boston, Sees Necessity of Absorbing Foreign Securities

"As yet no satisfactory plan has been evolved which will enable us to give to Europe the full amount of assistance she needs without jeopardizing our own position. The problems of exchange, high prices and credit inflation in this country are so interwoven with the enormous burden of interest upon Europe's war debt of $170,000,000,000, that attempting to aid Europe by half-way measures, through additional Government loans, or by extending other credits, may bring about no more than a respite from the danger of a violent readjustment. What Europe wants is a chance to work off her obligations by selling her products in the markets of the world. In no other way can she escape from her present position.

"The existing situation calls for the most complete and thoroughly organized co-operation between Government, bankers and manufacturers. The absorption of foreign securities will unquestionably aid in relieving the situation in Europe in a practical manner. Up to date, however, there appears little evidence of a desire on the part of the public to co-operate in this way."

"I cannot praise a fugitive and cloistered virtue, unexercised and unbreathed, that never sallies forth and sees her adversary, but slinks out of the race where that mortal garland is to be run for, not without dust and heat."—MILTON.

# Will New York Have Blue Sky Laws?

## Governor Smith's Investigating Committee Returns a Split Report on Proposed Legislation

STOCK-SWINDLING, and how to prevent it; dishonest promotions, and ways and means of curbing them, are questions which have been bothering legislative bodies throughout this country and Great Britain ever since the advance agents of the first financial bubble discovered how credulous and gullible the general public really is. Plans of every kind and description have been invented, innumerable complex laws have been enacted in the effort to protect the foolish investor; but the foolish investor continues just as foolish as ever—and the State just as helpless to protect him.

Now New York State has undertaken the job of protecting its people. With Governor Smith initiating the movement and some of the foremost financial minds in the country advising him, the effort is being made to formulate "Blue Sky" procedure which shall begin where the procedure of other states leaves off and which shall actually protect the small investor where other methods merely serve to confuse him.

On September 25, 1919, the Governor addressed to Messrs. A. Barton Hepburn, Charles H. Sabin, William H. Porter, William H. Remick, Alfred J. Johnson, John J. Pulleyn, John Godfrey Saxe, George V. McLaughlin, Laurence McGuire, James J. Hoey, Mortimer L. Schiff and Edwin C. Vogel a letter in which he said:

"New York is today the financial center of the world and is being looked to by other states for leadership in financial matters.

"To my mind there should be a proper supervision of the issuance of new securities and a prevention of the evil of issuing and offering for sale to the investing public of worthless securities and securities of doubtful value.

"I have concluded to appoint a committee of men prominent in National, State and private banking, as well as members of the legal profession, and representatives of the investing public, to make a study of this subject and report to me before January 1 the result of such study together with a draft of such legislation as the committee may deem necessary.

"I have appointed you a member of such committee. Will you communicate with the other members of the committee and arrange for a preliminary meeting?"

All of these gentlemen complied with the Governor's request, meeting on September 29, 1919, and organizing by electing Mr. Hepburn as chairman and Mr. Thomas F. Woodlock as secretary. They requested Governor Smith to assign Mr. Robert C. Cumming, Chairman of the Legislative Bill Drafting Commission, to the committee in an advisory capacity, which the Governor promptly consented to do.

The Commission then arranged for the preparation of an abstract on the various Blue Sky laws as they exist throughout this country and England. Mr. Woodlock prepared this abstract and the following brief review is taken largely from his report.

### American Blue Sky Laws

The general principle followed by the various states (of whom thirty have Blue Sky laws) in legislation governing the issue and sale of securities is that of regulation by permit or license. The general principle followed in the British Companies Acts in force in England is that of regulation by publicity coupled with responsibility for statements made. The American principle might be described as that of regulation by restraint and the British principle that of regulation by responsibility.

Most of the States in America regulate the issue and sale of securities by the method of permits or licenses granted to corporations and individuals upon satisfactory evidence of their good faith and character. Corporations are required to file with the regulating authority information more or less exhaustive with respect to assets, capitalization, promotion contracts, etc., and in many cases dealers, whether individuals, firms or corporations, are obliged to file information in full with respect to the business done by them and also with respect to their own character and solvency. Some of the States go even further than this by undertaking to exercise a partial control over issue and sale. They reserve, for example, the right to approve amendments to charter and by-laws, proposed increases in capital stock and the like. Thus, in these cases, not merely does the regulating authority assume to judge the character of the issuing corporation by means of the information that it requires to be filed, but it also assumes, in part, to control its acts.

Thus far the various states seem to have relied but little upon the principle of publicity for the protection of the individual investor. While most of the states require the filing of elaborate data, both originally and periodically, concerning the affairs of corporations and dealers, it seems that the purpose of such information is mainly to aid the regulating authority of the State in the matter of granting licenses rather than to aid the general public in estimating the value of the securities offered. It is fair to say in a general way that American practice in Blue Sky legislation has completely neglected the principle of publicity.

It is also apparent that an effort has been made in many cases to impose upon the regulating authority the burden of discriminating the case of securities and dealers not only against positive fraud but also to some extent discriminating as to the probable value of the securities offered. The original Blue Sky law of Kansas, which was directly aimed to control the issue of strictly speculative securities, was perhaps an extreme effort in that direction, but the 1910 law of Illinois, which is in some respects reflective of the most recent thought on the matter, definitely returns to the underlying idea of the Kansas law. In other words, there is a tendency to make the regulating authority a judge of values apart from questions of fraud and while, as in the Illinois case, it has been sought to lay down broad principles of value, the necessary effect has been to throw upon the regulating authority a large measure of responsibility.

The Illinois State law, as has been said, represents the most recent and most carefully thought-out application of the principle of discrimination. This law distinguishes four classes of securities, both as regards the matter of fraud and as regards inherent value. The control established by the Ilinois law is thus of a relatively intimate character and it is interesting to note that in the case of so important a State a policy so drastic should be at this time in favor. It is interesting to note that the Illinois Secretary of State, in a letter to Secretary Woodlock, stated that not more than 60 per cent. of applications for permits under the Illinois law so far received are likely to be granted. This indicates that application of the law is being rigorously carried out.

### British Companies Act

An English corporation, before allotting shares or commencing business and the exercise of borrowing powers must, among other requirements, either issue a Prospectus or file a "Statement in Lieu of Prospectus." In each of these documents a similar account of the underwriters' and promoters' commissions and interest, interests of the directors, nature of and consideration for purchases to be paid for from the issue, contracts, etc., is required. Personal liability for all damage is provided in the case of untrue statements in the Prospectus and penalties in the case of known untrue statements in the Statement in Lieu of Prospectus. Penalties are also provided for commencing business or exercising of borrowing powers without compliance.

In "Company Law" by Sir Francis Beaufort Palmer it is declared:

"The onerous and indefinite obligations as to disclosures imposed on directors and promoters by section 10 of the Companies Act, 1908, to a great extent checked the use of the prospectus for company promotion and augmented the number of companies floated by other means, e. g., by obtaining subscriptions on forms of application accompanied by oral statements, or by selling shares in the company in the stock market through financiers and others, or by means of a

pooling syndicate, or otherwise. To rectify this unfortunate result the legislature, in section 82 of the Act of 1908, replacing section 1 of the act of 1907, requires, where a prospectus is not issued (and the company is not a private company) the filing of a Statement in Lieu of a Prospectus."

### Governor's Commission Splits

The foregoing, as brief a summary as can be made of Mr. Woodlock's report, was the subject matter on which the Governor's Commission based its deliberations. Following discussion of the abstract, the Commission split, Messrs. Pulleyn, Sabin, Porter, Remick, Johnson, Saxe, Schiff and Vogel representing a majority and Messrs. Hoey, McLaughlin and A. Barton Hepburn representing a minority.

The minority opinion, a summary of which was recently made public, favors the system of the British Companies Act. In brief the opinion of this section of the Commission is as follows:

Legislation requiring dealers in securities to take out personal licenses would be wise. Good character, a reputation for probity, should be required from each applicant, and the licenses should be revocable. Vendors of securities should file with a State official full and complete essential information concerning their companies according to a form prescribed by the State, and should be held civilly and criminally responsible for the truthfulness of their statements. Advertisements and circulars would be required to contain the essential information contained in the filed statements, and offerings, in any form, of securities without compliance with the law's requirements would incur the law's penalties.

"The contemplated legislation," concludes the report, "is mainly aimed at evil disposed persons, but the public have rights in regard to all securities which they are asked to purchase, and our best and most responsible banking firms should furnish a plain and explicit statement of facts in regard to their offerings. Only too often are put before the public argumentative statements in which the desire to convince may transcend the desire to inform. The public should have the facts in some form prescribed by the State."

The Majority Committee's report to the Governor stated that New York, as the financial centre of the world, could not afford to adopt experimental legislation of the character adopted in our Western States, and that experience has demonstrated the unwisdom of placing drastic regulations upon enterprise as a whole merely in an endeavor to exclude "a modicum of fraud." The report further observes that New York should proceed intelligently and not adopt any legislation in which the restrictions on business would be out of proportion to the benefit obtainable. The Committee sees a sharp distinction between various classes of losses in stock transactions, a large proportion of which, it states, results from the cupidity of people who "engage in speculation seeking abnormal gains." Perhaps the strongest statement the Committee makes is that "experience has demonstrated that no matter what statutory bars may be erected, men will continue to lose their money not only by unwise investments and extravagant speculation but that the ingenuity of the crook can never be wholly circumvented by statute."

### Majority Committee Disapproves Many Laws

The negative advices of the Majority Committee were as follows:

(1) Laws requiring registration or licensing of securities are unwise in that they do not protect the unwary investor and at the same time are unduly restrictive of legitimate enterprise.

(2) Laws requiring the filing of statistical detail are more effective against the legitimate dealer than against the crook.

(3) Licensing of dealers in securities is objectionable as an abrogation of individual rights and liberties.

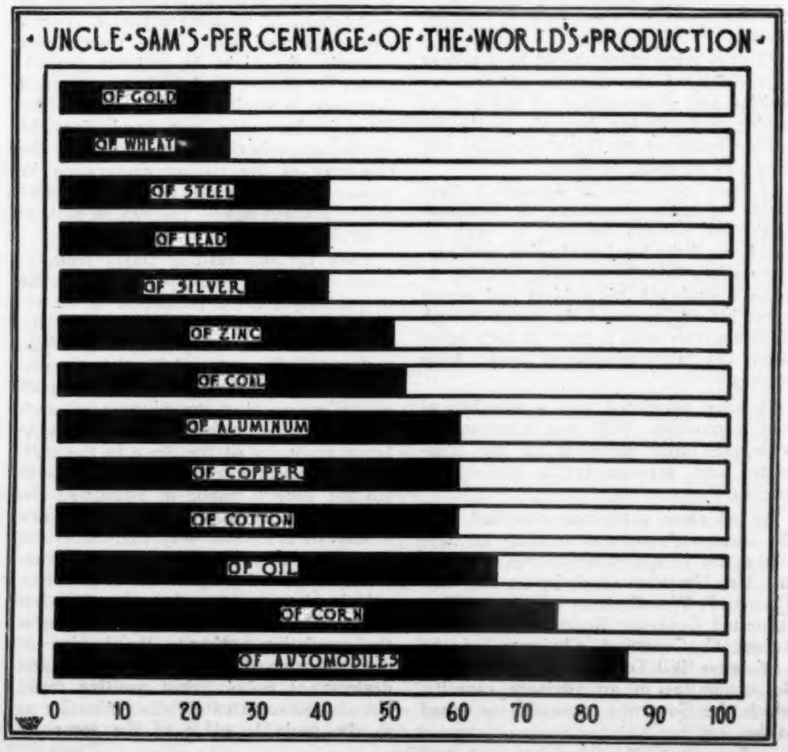
(4) Methods followed in England will not do in New York. England is a country with a single financial center, whereas New York State is one State of a nation and can neither legislate as to the issuance of securities in other States nor afford to drive capital into other States. Moreover, it is not sure that the British laws have succeeded in preventing fraudulent dealings in securities. There is probably no market in the world where highly speculative securities are more common than in London.

The Majority Committee, after discarding the existing systems of other States and England, recommends, not Blue Sky laws so much as Blue Sky departments. It advises that the State Banking Department be given jurisdiction over commercial transactions and that the Attorney-General have similar jurisdiction, both departments being fully empowered to investigate such transactions, being under duty, on complaint of any citizen, to investigate any transaction of which complaint is made. The Majority Committee contends that, if this broad jurisdiction were conferred upon these two departments, the deputies in charge would be bound to become acquainted with the individuals in the State who are engaged in the negotiation of securities and from time to time could readily single out the crook or the unscrupulous dealer. It is further advised that the Penal statutes be fortified in every possible way, a commission of lawyers being appointed for the purpose.

The Majority Committee concludes that "what is needed is a flexible, virile fraud-hunting State machinery driven, not by statute, but by human intelligence and human activity."

### Governor Smith's Move Next

Having received the opinions of both branches of his Investigating Committee, it now remains for the Governor of New York to form his own conclusions and propose such legislation or such expansion of existing State departments as he himself sees fit. The natural assumption is that he will proceed according to the advices of the Majority Commission, in which case New York State, benefiting by the experience of her sister States and England, will inaugurate an entirely new system of fraud prevention. Assuming only that the State "Blue Sky" departments are clothed with sufficient authority as well as ample mechanical means of running down fraud, the adoption of the Majority Committee's recommendations should be the next most effective method of handicapping stock-swindlers to what appears to be the only real solution, i. e., a National Blue Sky law, centered in the Federal Government, with every State subject to it and every American-financed corporation under its jurisdiction.



# Investment Aspects of Leading Bank Securities

## The Bankers Trust Company—One of the Youngest But Strongest of World Institutions—Its Family Relationship to American Finance—An Investment in Its Stock Is "Going Long of the U. S. A."

*By* **VICTOR DE VILLIERS**

IN our previous issue we went into details of the growth and development of the Guaranty Trust Company from its inception. From the point of view of romance and even the spectacular the Bankers Trust Company has a stronger appeal to the imagination, quite apart from its distinction of being among the "big three" sister institutions, consisting of the two just named and the Central Trust.

The Bankers Trust Company, founded March 31, 1903, is not yet the debutante of "sweet seventeen" as its seventeenth birthday is still a few months ahead. It came into being through the desire of a large number of prominent bankers to be able to transact a trust, estate, and general financial business not permissible to their own banks. Many opportunities come to banks, and their officers—moving in the wealthiest and most influential circles—have been compelled to turn down important money-making opportunities in a banking way because such business although entirely legitimate was *ne fas* through banking laws.

The bankers with the big idea got together to see whether they could not form a corporation that could handle, for the benefit of all, the immense business they could "swing" in its way. The leading spirit was Edmund C. Converse at that time President of the Liberty National: and he became President of the new "Bankers Trust Company"—the name representing very truly its business, a trustee for banks and bankers, to handle all its non-banking and other financial business that was merely taboo for banks because the law said so.

The original directors and associates of Mr. Converse was an aggregation that spelled "s-u-c-c-e-s-s" from the moment its first and original capitalization of $1,000,000 was underwritten by these men:

Stephen Baker, Samuel G. Bayne, James G. Cannon, E. C. Converse, Henry P. Davison, James H. Eckels, Granville W. Garth, A. Barton Hepburn, Edgar L. Marston, Gates W. McGarrah, George W. Perkins, Daniel G. Reid, Albert H. Wiggin, Robert Winsor, William H. Porter.

It will be noted that these interests represented the Bank of the Manhattan Company, J. P. Morgan & Co., the Mechanics' National, the Chase National, Liberty National, Hanover National, National Park Bank, Kidder, Peabody & Co. of Boston: and that some of the original sponsors have more than passing fame in banking and business. No wonder the original capital of the Bankers Trust was over-subscribed *twenty times*.

Mr. Converse continued in office for ten years, and gave up the reins to Benjamin Strong, Jr., who resigned in 1915 to take charge of the Federal Reserve Bank of New York, as Governor. Mr. Seward Prosser then became executive head of the "Bankers" and has directed its main policies since that time.

### Its Excellent Location

One of the first sights that greets the eye of the incoming traveler to America is, the Statue of Liberty. Next in importance is the spirit of business reflected in New York's famous skyline of great buildings. Towering over most of them is the forty-one story building of the Bankers' Trust at 14 Wall Street. At this point Wall, Broad and Nassau Streets meet, and if I had to select any one location or one building in the entire world for present and future values, I believe the Bankers' Trust Building would be my first choice. The curious spirit of progressiveness and certainty of ultimate success is found in the corporation's action in pulling down a skyscraper on the site to erect a better and larger one: today the banking quarters of the "Bankers" are among the best and largest, and its building is certainly the greatest owned by a single banking institution.

The original quarters of the institution were at Liberty Street, and later No. 7 Wall Street. The present home of the bank will undoubtedly go down in history as its permanent headquarters, and the conception of such a monument is popularly credited to its then President, President Strong, who had the idea and saw it through.

### Resources—Progress—Mergers

The Bankers Trust commenced with a surplus of $500,000 and in thirteen years succeeded in multiplying this over thirty times—on June 30, 1916, it reported a surplus and undivided profits of well over $15,000,000, by which time its capital had also grown ten times to $10,000,000. Practically each increase was a "melon" to stockholders as numerous rights to subscribe for new stock at nominal figures were given, and the stock has always sold at a premium of hundreds of dollars above its par of $100. Its present price rules around 400.

The rise in its resources has been striking. At the commencement, the first official report on this subject came out as at June 30, 1903, when this item stood at $5,748,174; six months later the figures advanced to $10,085,557. A year later nearly $19,000,000 was reported, and in June, 1905 (a little over two years in business), $25,000,000 was reached and passed.

How dramatically the growth of the Bankers Trust Company has been registered is shown in its further capital increases from $10,000,000 to $15,000,000 in three years; and finally the latest increase on December 29, 1919, to $20,000,000, which increases have been satisfactory and rather profitable to all concerned.

The dividend policy has been rather conservative. The present rate is $20 a share per annum, which seems small for a stock selling at $400 a share, but substantial "extra" and "rights" have been handed out with pleasing irregularity that brings up the total return on the investment to a handsome percentage on long-pull results. Original stockholders of the old-young Bankers Trust with its first $1,000,000 found a very good thing in its stock now that the capitalization is $20,000,000, and unlike the expectant Micawber in the Pickwick tales, they have not waited in vain for "something to turn up." They do not seem anxious to sell their stock, so I suppose they must have confidence that their corporation is going to grow much larger eventually. For this reason, a dividend of $20 a share on a $400 stock is not the whole story back of the inducement to buy and hold for keeps.

Last year the corporation apparently earned about $34 a share according to the *known* conservative estimation of increase in book value for its shares. This figure stood at 218 in 1918 and advanced to 232 in 1919. This means that $14 a share was "plowed back" into the institution, which amount added to the dividend paid may be taken to be the net earnings. The real earnings are probably larger; bookkeeping and caution can cover a multitude of virtues as well as sins.

The present position of the Bankers Trust is an imposing one. In round figures, it added $3,000,000 to its surplus in the 1918-1919 years and this item now stands in the neighborhood of $19,000,000 compared with less than $15,000,000 at the end of 1918. Deposits are nearly $300,000,000 net and are growing.

Other smaller but important institutions have been taken over, merged or consolidated with the "Bankers." The first acquisition was the old Mercantile Trust, a familiar institution to New Yorkers since 1873. It next took over the Manhattan Trust, an even older institution that goes back to 1871. These two old-line trust companies were acquired in 1911 and 1912.

The next important acquisition was control of the Astor Trust in March 1917, of which institution Mr. Converse was also President. The Astor Trust is on Fifth Avenue, New York and its growth has been remarkable. It has a distinguished personnel and its business is of a high-grade order.

The Bankers Trust Company is in a strategic position to take advantage of European credit reconstruction; the wheels are commencing to move.

# Commodity Prices Still Rising

## Discrimination in Money Rates—U. S. Steel Orders Increase Sharply—Coal Production Returning to Normal

*By* G. C. SELDEN

THE most significant change during the last month has been the further rise of commodity prices, as shown on the large graph on page 367. There is a close connection between this advance and the rise of bank credits. At their recent high point Federal Bank rediscounts were over $2,230,000,000, against $1,650,000,000 in September, and strictly commercial rediscounts (that is, excluding war paper) are now more than two and one-half times as great as a year ago. This is the same old story of prices and bank credits rising together, around which so much theoretical discussion has centered.

Undoubtedly this rise of commodity prices and the cost of living has stimulated the Federal Board to its renewed efforts to check the expansion of bank loans. The banks are being strongly urged to discriminate against all kinds of speculative loans. So far as Wall Street is concerned, this discrimination has already been very pronounced, as is seen from the money section of the graph, where time loans on stock collateral range from 7% to 8½% (there have been a few at 9%), against 6% for commercial paper which is not rediscountable and about 5% for paper which is rediscountable. But it still remains to be seen to what extent other forms of speculative loans can actually be reduced. There is danger that each banker may wait for the other fellow to act first.

The connection between these high time money rates and the reaction in industrial stock prices is also clear enough. The reason that stock prices have not fallen more is that liquidation has been confined to securities and has not extended to general business.

U. S. Steel's orders continue on their upward course, as previously predicted in these pages. Production of pig iron and bituminous coal has rallied from the effect of the strikes in those industries. Steel prices are rising, the average of eight principal products being now about $71 a ton, against $63.49, the Industrial Board price established last March. The price of copper is recovering from its December reaction.

There is no new tendency in foreign trade. In view of the discount on foreign exchange here, our exports hold up wonderfully well. But over a longer period, the trend of our excess exports will be downward.

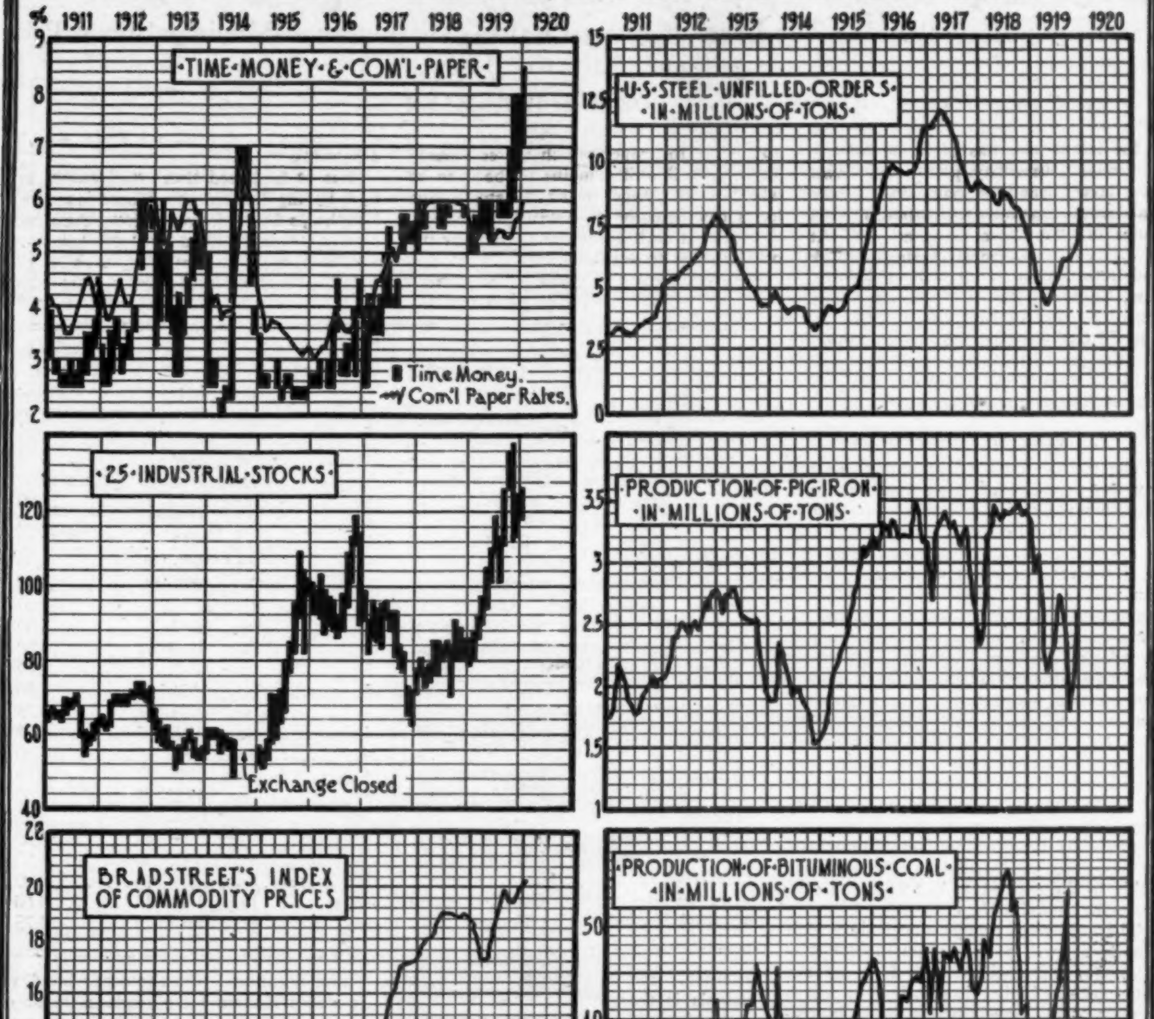
It is to be noted that retail stores are now buying farther ahead than last year. Merchants have recovered from their fear of a peace decline and most of them now see nothing but continued high prices ahead. So they are ready to buy more liberally, and this fact in itself tends to accelerate the rise of prices. This disposition to stock up ahead is an unfavorable symptom, but as yet it has not proceeded far enough to constitute a danger sign.

In general, active business for the first half of the year is assured, and for the second half it is entirely probable. I doubt whether the Federal Board's efforts will bring any considerable reduction in commodity prices at present. It will take a much higher business money rate to achieve that result and neither the Board nor anyone else, probably, would want to face the odium that would result from action radical enough to produce a lower price level. On the other hand, it is dangerous to base business policies on the theory that commodity prices will go on rising, as they are approaching their limit.

## Broadway From Warren to Reade Street in 1854

THIS INTERESTING PRINT SHOWS DOWNTOWN NEW YORK OF SIXTY-SIX YEARS AGO
To the left of the center is the Chemical National as it appeared in 1854.

# THE TREND IN MONEY, PRICES AND PRODUCTION



# Municipals---Premier Tax Exempt Investment

## Tax-Exemption Valuable—The Level of Interest Rates—The Future of Municipal Bond Prices—Some Attractive Issues.

*By* **JACOB H. SCHMUCKLER**

THE high income tax rates made necessary by heavy war expenditures have formed an association of terms and ideas in the minds of investors almost as spontaneous as "Two and two make four." This association is "municipals and tax-exemption." During the war period, Congress passed legislation exempting two issues of Liberties and the Farm Loan Board Bonds from income taxation, but the privilege attaching to municipals is in the Federal Constitution, the fundamental law of the land.

**The Value of Tax-Exemption**

The source from which municipals enjoy the privilege of tax-exemption gives investors a definite guarantee of its permanence. The Federal Constitution states in effect that the income from obligations of the sovereign states or their divisions can not be taxed by the Federal government, and that about settles the matter. On a number of occasions within the past twenty-five years, attempts have been made to get around this clause in the Constitution without success. Even during the stress of war necessity, when the apparent injustice of municipals going tax-free while liberties were being penalized was strongly emphasized, all attemps to revoke the privilege failed. Secretary Glass in a recent report has suggested that the income from municipals be included in calculating the amounts liable to the super-tax, like so many others will undoubtedly fail.

There is then almost a certainty that municipals will be free from income taxation for generations. So long as tax rates remain high this privilege is worth a great deal, especially for large investors. For such fortunate persons it is cheaper, at any rate as regards the early future, to buy good municipals returning 4.5 per cent than to hold corporation issues yielding 6.50 per cent, and for the man with an annual income of $2,500,000 from bonds, a return of 2.50 per cent from municipals means a larger net return than 7 per cent from taxable issues.

Some state of affairs and we can hardly look for any radical reduction in income tax rates in the early future. The indications are rather that high rates are to become more or less of a fixture in America. The tax free privilege of municipals is therefore of great value, and the safeguards as to its permanency make it especially so.

**Interest Rate and Municipals**

The wealthy are the largest bond investors for the simple reason that it takes money to buy bonds, and certainly many persons have been interested in lightening their tax burdens, a practice which is entirely legitimate, so long as legally and honestly done. It is therefore not at all surprising that bond men have reported a keen demand for municipals since the beginning of the war, excepting for occasional lulls during Liberty bond flotations. On the other hand, corporation bonds have made a most disappointing showing. Under such conditions, we would expect the municipal bond market to hold up remarkably well.

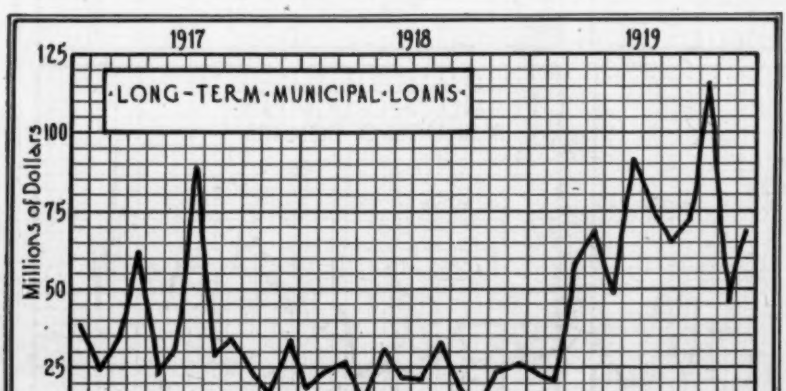
The graph herewith presents the course of municipal bond yields in the past ten years. As municipal bonds usually are in the form of serial maturities and are bought almost entirely for investment, the yield basis is the generally accepted method used in quoting them. As we have explained in previous articles, the price of any bond varies inversely in proportion to its yield, so that a larger return means lower prices and vice versa.

The figures from which the graph was drawn were furnished by The Bond Buyer, a high authority on municipal bonds. The index presents the course of the average yield on the bonds of twenty of the largest American cities, excepting Washington, D. C., whose obligations are really those of the Federal Government.

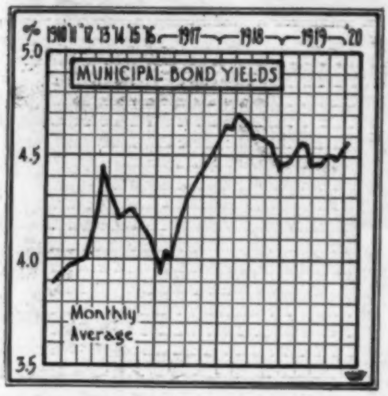
A number of features become apparent upon examination of the graph. Before the entrance of the United States into the war, the yield on municipals had declined for a number of years. The upturn in yields (downward tendency in prices) started in the early months of

ATTRACTIVE ISSUES

| Issue | | Maturity | Approx. Yield to Maturity |
|---|---|---|---|
| State of Massachusetts, Reg. | 3½s | April, 1924 | 4.20% |
| State of South Dakota, Rural | 5s | Oct. 1932-'38 | 4.70 |
| State of Utah, Road | 4½s | July, 1939 | 4.54 |
| State of Orego,n Highway | 4½s | Apr., 1929-'32 | 4.60 |
| Lenoir County, N. C., Road | 5¼s | June, 1924-'34 | 5.00 |
| Essex County, N. J., Imp | 4¾s | Nov., 1929-'38 | 4.45 |
| Laurens County, S. C., Road | 5s | July, 1933 | 4.80 |
| Bingham County, Idaho, Road | 5s | July, 1929-'38 | 5.00 |
| Pima County, Ariz., Road | 5½s | Oct., 1925-'44 | 5.10 |
| Berrien County, Mich., Road | 5s | 1922-'27 | 4.80 |
| City of Birmingham, Ala., School | 5s | Dec., 1949 | 5.00 |
| City of Los Angeles, Mun. Imp. Dist | 5¼s | Dec., 1920-'54 | 5.00 |
| Jersey City, N. J., Water | 5s | June, 1921 | 4.70 |
| City of Miami, Florida, Improvement | 5s | July, 1924-'29 | 5.00 |
| City of Chicago, Coupon | 4s | Jan., 1921-'39 | 4.75 |
| City of Dallas, Texas, Coupon Sewer | 4s | Nov., 1922-'57 | 4.63 |
| Port of Seattle, Wash., Coup | 4s | June, 1960 | 5.00 |
| Atlantic City, N. J., Road Imp | 4¼s | June, 1929-'31 | 4.60 |
| City of Canton, Ohio School District | 5s | Dec., 1920-'59 | 4.80 |
| Tucson, Ariz., Funding | 5s | July, 1934-'49 | 4.85 |
| City of Sebring, Ohio, Water | 4½s | Apr., 1922-'48 | 5.00 |
| Town of Pelham, School District | 5s | Nov., 1925-'49 | 4.50 |
| Town of Pelham, School District | 5s | Jan., 1926-'52 | 4.50 |
| City of Bridgeport, Conn., Coupon | 4¼s | July, 1934-'37 | 4.60 |
| City of Roanoke, Va., Coupon | 4½s | May, 1940 | 4.75 |



1917 and continued steadily so until April, 1918. Then the trend turned downward to the end of 1918, and since then it has been irregular, but at the beginning of




1920 the index stood more than one-tenth of a per cent below the 1918 high.

On the other hand, corporation credit has been becoming more costly (bond prices moving downward) with practically no interruption since our entrance into the war, and at the opening of 1920 bond prices were close to their low record. The reason for the decidedly better showing made by municipals has already been explained, but why there should have been any decline in municipal bonds prices or advances in yields may puzzle a number of readers.

The explanation of this phenomenon is found almost entirely in the increased cost of capital the world over. At the time when the supply of capital is in terrific demand, the prices which must be paid for it, regardless of the form, must advance. Municipals have proven no exception from the great re-adjustment in interest rates which the war has made necessary, and it is this fact which accounts for the advancing returns on municipal bonds.

**New Financing and Future Prices**

Another graph presented in the article gives the amount of new long-term municipal financing by months since January, 1917. The sharp declines in new financing during the war are readily explained by the restrictions upon new flotations to conserve the capital supply for war uses.

Since the removal of restrictions, the volume of municipal financing has increased greatly, and in 1919, new long-term flotations reached a new high record, amounting to a little less than the total of any two pre-war years. The cause of the large advance is to be found in the great mass of improvements that municipalities have deferred because of the war and must now put into effect. This is especially so in the case of various building projects and roads.

Again municipalities like private persons are apparently going through a "spell of extravagance." Their standard of living, so-called, is improving, and many municipalities are finding that the old things are not good enough and that they need a number of conveniences and luxuries, which they could well get along without. Another factor is the large undertakings by states, cities, etc., in their desire to give labor employment. This point was given very wide attention at the termination of hostilities, when it was believe that serious unemployment would be thrust upon us and municipalities would relieve great distress by undertaking various projects.

While this notion has undoubtedly been somewhat dispelled by the great industrial activity during the reconstruction period there is some unemployment in some sections of the country, which is probably encouraging municipal betterments and improvements. The "better roads" movement has an especially strong grip, and a large proportion of the bonds floated of late are so-called "road" or "road improvement" bonds.

In short, it may safely be predicted that municipal expenditures in this country will continue on a large scale for a number of years. This means that municipals will be in liberal supply and investors holding such obligations may well ask, what effect will the enlarged supply have upon municipal bond prices?

It seems to the writer that so long as tax rates remain high there will always be a keen demand for municipals which will take up almost any probable increase in the supply. This will have the tendency to hold municipals close to present prices, except in so far as the competition for capital by other sources makes the offering of better rates necessary. As tax rates become lower, however, there can be little doubt that municipal bond prices will tend to decline, unless the general level of interest rates moves closer to pre-war figures.

**Some Attractive Issues**

The table herewith presents a number of attractive municipal issues. Individually there is little to be said about the better grade of municipals in which all of these bonds may be classified. The list is the result of a thorough canvass of the January municipal offerings by the largest firms on the Street.

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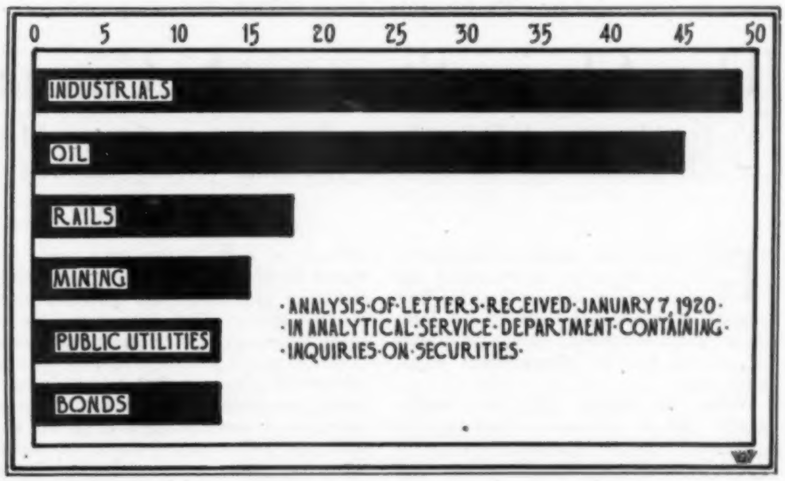
"The God who gave us life, gave us liberty at the same time."—THOMAS JEFFERSON.

## Public Interest in the Market




The graph above analyzes public interest in various classes of securities as indicated by inquiries received in the analytical service department of THE MAGAZINE OF WALL STREET. The graph below shows daily average sales on the Stock Exchange since 1875. Note the upward course of the curve during the past year.

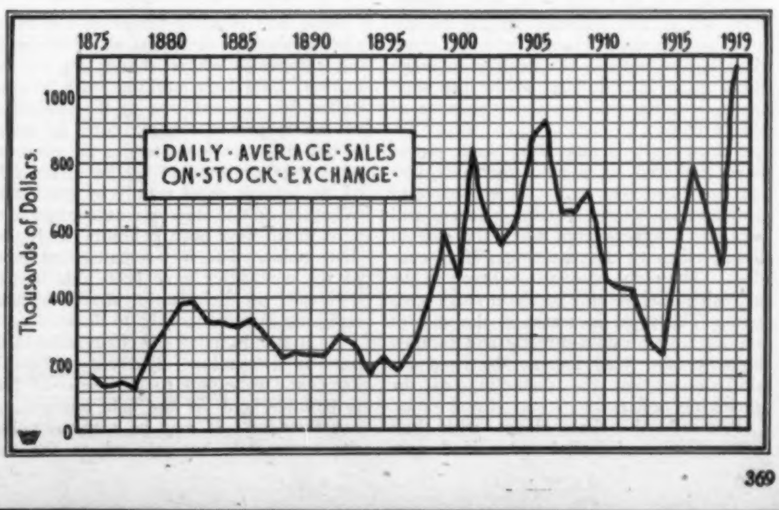


Photo from Underwood & Underwood

BEFORE THE CROWD COMES IN

**A View of One of the F. W. Woolworth 5 and 10-Cent Stores—There Were 1,039 of These Branches in 1918, and Sales Per Store Averaged Over $100,000—Other American Chain Store Corporations Are Enjoying a Corresponding Prosperity.**

# The Chain Stores—A Comparative Analysis

## Woolworth, United Drug, Jones Bros., Kress, Kresge, McCrory and Atlantic & Pacific—Importance of Good Will Accounts—Gross Business—Comparative Profits, Etc.

*By* JOHN MORROW

THE acute and sustained rise in the cost of necessities of the every day garden variety during the past four years has brought the chain stores closer to the great purchasing public than years of normal business development would have done.

When the family with the "middle grade" income was not troubled over the question of the purchasing power of the dollar, and when such problems were left with the political economist to settle, it was perhaps considered a bit "infra dig." to be a steady customer at a chain store and to be a "cash and carry" purchaser.

Of course, everyone knows the chain stores were operated successfully long before the war, and had an extensive clientele, but it was confined mainly to the so-called working classes who in those days had to nourish the pennies to make them grow into dollars. Now the shoe is on, etc., but that's not the purpose of this article.

Sufficient it is that the chain stores have gathered in a new and extensive class of customers, and it is reasonable to assume that a large portion of these will remain customers even when the cost of living takes to the parachute, if it ever does. The point now is in relation to the growth in the volume of chain store business. The great increases in the cost of staples have brought directly and forcibly home to the fixed income the need for skill in staying the dwindling of the shrinking dollar.

Primarily the chain stores, with their concentration of capital and unified management of many selling units, were designed or at least intended to fulfill their functions by underselling the local independent stores. They have been able so to do by reason of their great purchasing power of goods and materials, their quick turnover of liquid capital, and their relatively low overhead. A great quantity of sales on a small margin of profit has made the well managed chains successful. They have found a reasonable stability of business, plenty of room for judicious expansion, and an ability to attract partners in the form of stockholders by reasonable dividend payments which in the main have been well sustained by earning power.

### Capitalization of Good Will

Good will is a big factor in the chain store business, and almost all of the leading companies whose shares are on the markets have been nothing loath to capitalize this account, and at the beginning of the corporate organizations of many of the chain store companies the common stock was represented on the asset side of the balance sheet mainly by good will. Whether or not this was as conservative as it might have been is beside the immediate point. The fact remains that most of the companies have been able to pay dividends on their junior shares without straining income account to do so.

As it stands today the chain store business is a success. The competition is keen, and threatens to be keener if that is possible, and yet the field appears not overcrowded. It may be something like the automobile business where the saturation point has to be moved ahead yearly in order to allow statisticians an opportunity to keep abreast with the procession.

Several stocks of chain stores companies are listed upon the New York Stock Exchange where they have a recognized market and a substantial following. Space does not permit consideration of all the known chain store corporations, but it is well worth while to enter into some discussion of several of the representative companies and to point out in a comparative way the features of their operations. For this purpose then is selected the following: Woolworth & Co., United Drug, Jones Bros. Tea, S. S. Kress & Co., S. H. Kresge & Co., McCrory Stores Corporation, and the Great Atlantic & Pacific Tea Company. The shares of the last named are closely held, and there is relatively little detailed information concerning its affairs, but it is the largest, in number of stores operated, and probably one of the best if not the best known to the consuming public. Despite its long history, it remains almost a family affair. There is no established market for the shares of the company, but lately there have been rumors of possible developments, but they remain rumors.

United Drug is not altogether a retail merchandising proposition. The company does a large manufacturing business in medicines, toilet articles, rubber goods, candy, druggists' sundries, etc., but it controls the Liggett-Riker-Hegeman chain of drug stores, and distributes the

"Rexall" brand of drugs, etc. The company is somewhat different from the concerns which are purely retail merchandising companies, and may be discussed in more detail later.

As clear a method as any to illustrate the features of the chain stores is by graphs and tables, which bring out quickly the points of difference and indicate the various strengths and weaknesses. As a starting point, capital structure may be considered. It is an interesting point to note that capital changes in the big concerns during the past few years have been relatively small. Table I indicates what changes there have been.

In cases where there has been a small decrease, it is because of the retirement of a certain amount of preferred stock annually through operation of a sinking fund. Only one of the companies, the Atlantic & Pacific, has any funded obligations, and that company has an issue of $4,712,000 6% notes outstanding. All of the others have confined their capital structure to preferred and common stocks.

The six companies, excluding the Atlantic & Pacific, have a total capitalization of over $155,000,000, and of this stock of two classes only $5,000,000 is not paying ceiving the regular disbursement, and note interest is well protected by earnings.

In connection with the capitalization of these various companies, the dividend record is probably as important as any feature. All of them have 7% cumulative preferred issues, and all of them have regularly and steadily paid the full amounts in dividends to which these stocks are entitled. The dividend rates on the common shares vary: Woolworth is paying $8; United Drug, $7; Jones Bros. Tea, $2; Kresge, $5, and Kress, $4. In addition to the regular $5 rate, the Kresge Company declared an extra dividend of $1 on the common stock in December, 1919.

It was not necessary for the chain store companies to wait until the period of war prosperity to institute dividends upon their junior shares, and, in the main, the records of payments extend back for quite a few years.

**Big Growth in Sales**

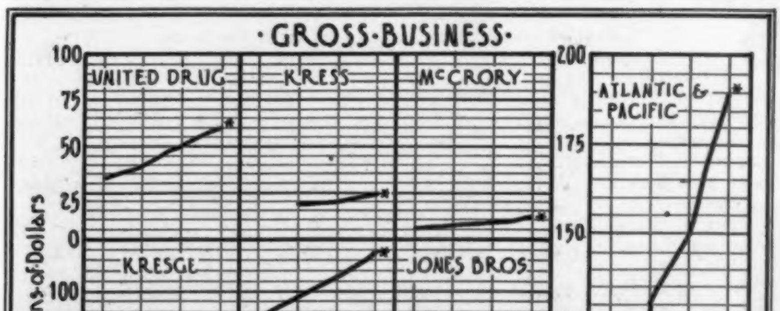
When the gross business of the chain store companies is considered, the steady march upward with ascending totals year by year, graphically illustrated, makes an impressive picture of development. In the past four years gross sales of the

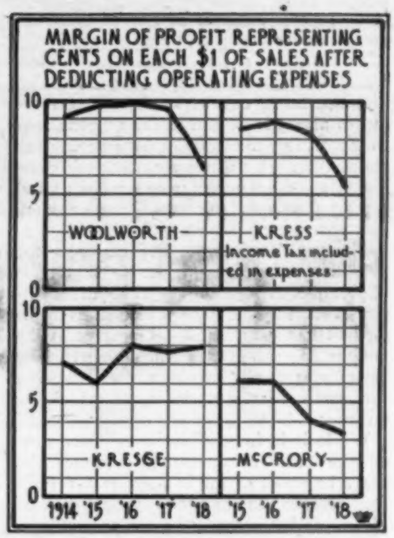
Table I—Capitalization.

| | United Drug Co. | S. H. Kress & Co. | McCrory Stores Corp. | S. S. Kresge Co. | F. W. Woolworth Co. | Jones Bros. Tea Co. |
|---|---|---|---|---|---|---|
| 1915 .... | .......... | $16,000,000 | $6,250,000 | $6,800,000 | $63,500,000 | ........ |
| 1916 .... | $36,659,000 | 16,000,000 | 6,250,000 | 12,000,000 | 63,000,000 | ........ |
| 1917 .... | 36,659,000 | 16,000,000 | 6,223,700 | 12,000,000 | 62,500,000 | $14,000,000 |
| 1918 .... | 36,659,000 | 15,740,000 | 6,178,900 | 12,000,000 | 62,500,000 | 14,000,000 |
| 1919 .... | 45,000,000 | 15,740,000 | 6,178,900 | 12,000,000 | 62,500,000 | 14,000,000 |
| | Increase since 1916, 23%. | Decrease, 1.5%. | Decrease, fractional. | Increase, 80%. | Decrease, 1.4% | |

dividends, and that is the common stock of the McCrory Stores Corporation. The Atlantic & Pacific has outstanding $4,712,000 five year 6% convertible notes, due 1921, which are convertible into preferred stock; $12,500,000 7% preferred, and 250,000 shares of common stock of no par value. There is no record available of dividends paid upon the common shares, but the preferred stock is re-

United Drug Company have increased over 80%; Woolworth, between 35 and 40%; Kresge, 60%; McCrory, over 80%; Kress, almost 50%; Jones Bros. Tea, about 60%, and the Atlantic & Pacific, 150%. These comparatively short periods illustrating business growth are taken to make comparisons uniform, as some of the companies in question did not come into corporate existence, in their present




form, until 1916, and previous records are not complete.

It will be shown that the increase in gross business which the companies have had during the past few years was quite necessary, and that they, like all other corporations, were affected by increased operating costs and by the necessity of deducting considerable amounts for taxes. Gains in gross business were not saved for net earnings. Margin of profit was not increased, and in fact was checked by the increased costs, and developments have shown that the safety in the chain store companies has been in their ability to continue the process of huge sales on a small margin. Quantity of business remains the saving factor.

As a general proposition, the margin of profit shown by the chain store concerns is less than ten cents on the dollar. For sake of uniformity in comparison, the margin of profit of four companies is taken, viz.: Woolworth, Kress, Kresge, and McCrory. Available records are not sufficient to include Jones Bros. Tea. The United Drug, a combination of a manufacturing and merchandising company, is not exactly on all fours with the companies mentioned above, and figures of the margin of profit shown by the Liggett-Riker-Hegeman Drug Stores are not given. These stores are controlled by the United Drug Company.

Of the four companies whose margin of profit is shown in the graph, the Woolworth and Kresge Companies do business on a little better basis than McCrory and Kress. However, it must be noted that the margin of profit of the Kress Company for 1918 is figured *after deduction for income tax*, while the figures for the other three are before this allowance. In the year 1916 Woolworth had a profit margin of ten cents on the dollar of sales, which, to date, is the best record of the four. In 1918 this had fallen to below seven cents, whereas Kresge showed eight cents in that year.

Detailed figures of the Atlantic & Pacific are not at hand, but as a general guide it may be figured that in the year ended February 28, 1918, that company saved about five cents on the dollar of sales before appreciation and taxes. Incidentally, the Atlantic & Pacific does the

largest gross business of any of the companies under consideration.

In the year ended December 31, 1918, United Drug, after cost of goods sold, and operating expenses, showed a margin of about 11%, and in the nine months to September 30, 1919, this margin was about 10%, which indicates that the combination of manufacturing, jobbing and retailing affords somewhat higher margin than the purely retail business.

Figures showing the net earnings for 1919 are not yet available, so that it is impossible to determine what the companies saved from the tremendous business of last year, but the increases in the volume of sales suggests perhaps some betterment in net earnings after allowing for some increases in costs of doing business.

While it is impossible to estimate now on the basis of operating revenues the share balances of the companies for 1919, the records of previous years can be given, and they will serve to indicate those companies which have stood out, and enable a clearer idea of the relation between dividends and earnings.

**Earnings Per Share**

Table II gives the amounts in dollars earned per share on the common stocks of six companies for the four years ended December 31, 1918. It will be noticed that on the average over the four years

TABLE II—EARNINGS PER SHARE ON COMMON STOCKS.

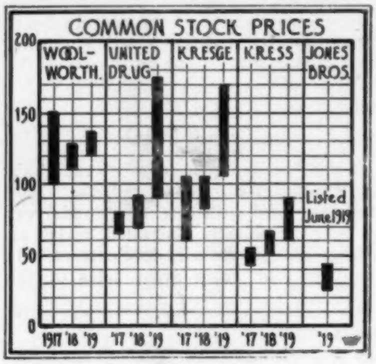
| | 1915. | 1916. | 1917. | 1918. |
|---|---|---|---|---|
| United Drug.. | .... | $7.03 | $10.40 | $17.50 |
| S. H. Kress.. | $6.53 | 8.95 | 9.88 | 7.45 |
| McCrory ..... | 6.02 | 6.69 | 4.70 | 5.25 |
| S. S. Kresge.. | 23.34 | 19.89 | 17.21 | 15.61 |
| Woolworth .. | 13.19 | 15.57 | 16.72 | 12.43 |
| Jones Bros... | .... | .... | 1.49 | 1.01 |

that Woolworth and the Kresge Companies have the best records; that is, their share balances have been larger than those of the others. Kresge tops Woolworth, and yet its dividend rate is below that of the pioneer company. Kresge is of course much smaller in scope of activities than Woolworth.

United Drug has been coming fast during the past two years. In the nine months ended September 30, 1919, this company earned over $14 a share on the common stock, before allowing for excess profit taxes, and including in the income account a profit of $966,000 realized from the sale of the Vivandou Company, a manufacturer of toilet articles. United Drug underwent a capital readjustment during 1919, by which the common stock was increased from $20,500,000 to $30,000,000; the first preferred was increased from $7,500,000 to $15,000,000, and the second preferred disappeared through conversion into common. This has given the company two classes of stock, one preferred and one common, instead of two preferred issues and one common.

The chain stores included in the operations of the United Drug Company are, as is quite generally known, the Liggett-Riker-Hegeman drug stores. There are now about 202 of these stores in operation, but the details of the amount of business they do is lacking. In 1917 there were less than 150 stores in this chain, which indicates an increase of about 33% in the number of stores operated during the last three years.

In general, the war period halted to some extent the store unit expansion of the chains. They were forced or at least preferred to go slowly. Demands upon liquid resources brought on by the large increases in the volume of sales must have made necessary the maintenance of sizable reserves and working capital. For example, Jones Bros. Tea had about 320 stores in 1917 and now has 350, and only recently has carried forward plans for opening regularly new stores.




There is a complete record of the increases in the number of the stores of the four companies, viz.: Woolworth, Kresge, Kress, and McCrory, and some comparisons along the lines of showing the per store sales are of interest. Table III will show this clearly. In 1918 the Woolworth Co., operating several times as many stores as any of the others, passed the $100,000 mark in sales per store, whereas the Kresge Co. was over the $200,000 mark, but operating only 170 stores to 1,039 by Woolworth.

These figures would indicate the greatest density of business for Kresge. Its stores are located north of Richmond, Virginia, and east of Lincoln, Nebraska. Woolworth stores are located throughout the United States, with 70 in Canada and some in England.

Stores and the Grand Union Tea Co. They are located in practically every section of the country.

Lack of space prohibits a detailed discussion of the specific features of all of these companies, and also available information is not uniform.

It is known that the Atlantic & Pacific Tea Co. operates about 4,000 stores, making it the largest of the chains, and if the company did a business of about $190,000,000 in 1919, as estimated, it would indicate sales per store of about $47,500. This company, then, does the largest gross business, has the smallest profit margin, generally speaking. Note interest and preferred dividends are regularly met, but what is done for the common holders is not known. In the year ended February 8, 1918, net income available for dividends was $3,571,064, and dividends paid were $509,790. This from a gross business of about $126,000,000.

From the information at hand it would appear as if the current dividends of the companies are relatively secure, and it seems a fair possibility that McCrory would perhaps be able in the not distant future to inaugurate a conservative payment upon its junior shares. The earnings record of the past four years would indicate that possibility, and the gross business of the company seems to be growing in proportion to the general increases. Its profit margin, however, is relatively not as good as that of the others.

**Price Movements and Prospects**

As a group there was no great speculative activity in the shares of the chain stores during 1919. An exception must be made, however, in the case of United Drug, whose common stock has had a rise comparable almost to a regular war bride. At the beginning of the year 1919 the junior shares were quoted in the 90's, which proved to be the low, and which was followed by a high of 175⅛ in the last part of July. The stock is now around 140. Kresge common is another which showed great price appreciation, running up from 108 to 155. Woolworth common moved within a narrow range. The graph will give a better idea of the

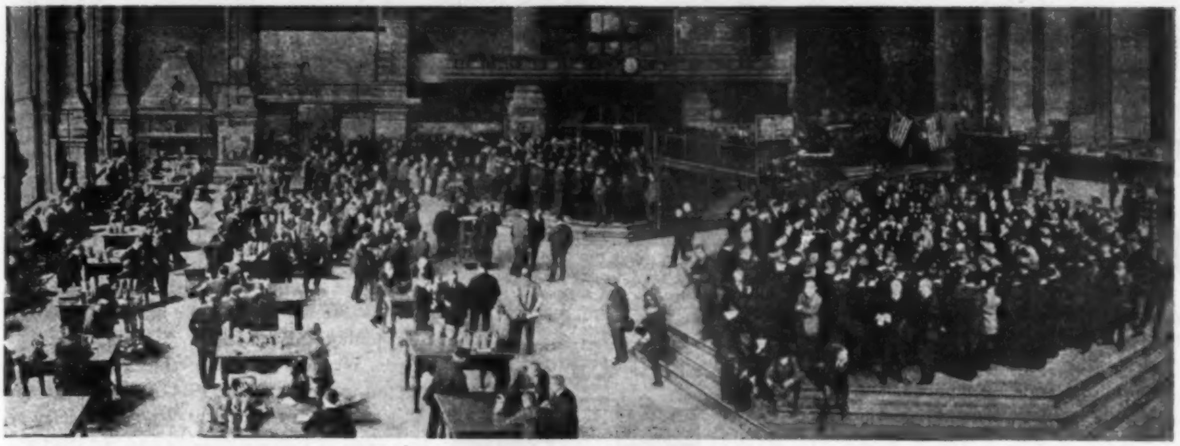
TABLE III—NUMBER OF STORES AND SALES PER STORE.

| | 1918. | 1917. | 1916. | 1915. |
|---|---|---|---|---|
| Woolworth— | | | | |
| Number of Stores.......... | 1,039 | 1,000 | 920 | 805 |
| Sales per Store............ | $103,156 | $98,102 | $94,662 | $94,404 |
| Kresge— | | | | |
| Number of Stores.......... | 170 | 164 | 157 | 139 |
| Sales per Store............ | $213,585 | $183,478 | $168,137 | $150,671 |
| Kress— | | | | |
| Number of Stores.......... | 144 | 144 | 130 | 139 |
| Sales per Store............ | $146,945 | $122,452 | $115,843 | $150,671 |
| McCrory— | | | | |
| Number of Stores.......... | 150 | 157 | 117 | 115 |
| Sales per Store............ | $64,048 | $49,870 | $58,009 | $48,817 |

McCrory operates mainly in the eastern and southern States, while Kress finds its business in the southern and southwestern territory. This company also carries on some mail order business through its stores in the larger southern cities. Jones Bros. Tea is said to manufacture about one-half of the products sold in the stores controlled, which are the Globe Grocery

trend of the common stocks over the past few years. The market for McCrory is over the counter and comparisons of price range are unavailable. It is now quoted around 30.

In connection with the policy of capitalizing good will, the asset values of the common stocks at the end of 1918 are of more than passing interest. Computations



THE EXCHANGE FLOOR, BOARD OF TRADE
On the left is the cash grain department, while the pits are to be seen on the right

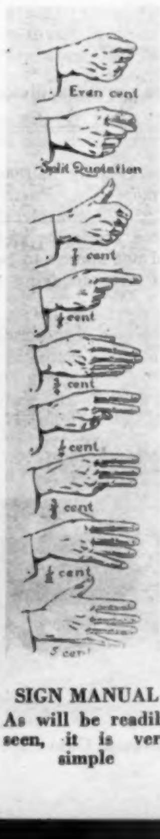
## CHICAGO BOARD OF TRADE VIEWS

**Four hundred million bushels of grain are received annually at the great city on Lake Michigan, which is the greatest grain and provision market in the world. The Board of Trade plays an important part in regulating this mighty stream.**

*Photos by R. H. Moulton, Chicago.*

AN EXCITING MOMENT
The rapid fluctuation of prices makes quick action imperative. A lost second might mean hundreds or thousands of dollars to the trader

BOARD OF TRADE BUILDING
Here is collected all information likely to have any effect upon the trade. This is sent broadcast for the benefit of producer and consumer alike




SIGN MANUAL
As will be readily seen, it is very simple

THE CASH GRAIN DEPARTMENT
There are two classes of transactions. One is the "spot" or cash transaction and the other is future trading

"TO ARRIVE" PRICES
The Board acts as a clearing house of data on shipments, crop conditions, visible supply, etc.

# Diamond Match—A Safe Investment

## Business Falls Off Somewhat from Record War Level, but Continues Excellent—Company's Official Sees Good Prospects for Coming Year—1919 Earnings Were Large

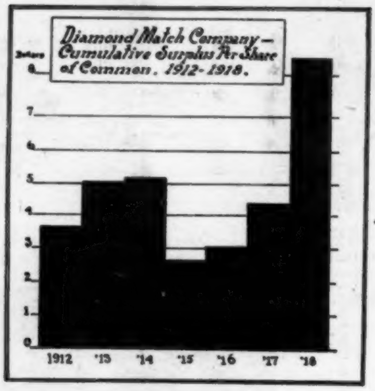
During my short sojourn in Roumania early in 1913, I could not help calling back to my memory the ingenuity of that famous Englishman, Courtney, who had taken with him to America from his native country the secret of the match compound, and also who knew so well the art of preparing phosphorus so that it will be ignited by friction, for the lighting of a match in that southeastern kingdom of Europe is achieved with considerable difficulty, or rather unpleasantness.

This is due to the fact that the ingredients of the match head compound produce, when ignited, a peculiarly unpleasant odor which lasts for at least two minutes. It is therefore not surprising that visitors many a time forego the pleasure of lighting their cigars.

Little does the average American know about this. He, thanks to Courtney the Elder—there were two brothers—has long been furnished with the so-called parlor match, the secret of which Courtney possessed, and who, with the assistance of Swift, started the Swift & Courtney Company in Wilmington, Delaware, for the manufacture and distribution of matches. The little Diamond state has given the name to the company's product which is now undoubtedly the finest domestic match produced.

**Omission of Extra Dividend Disappoints Investors**

Although earnings in 1918 decreased appreciably from those in the preceding year, the amount available for Diamond Match stockholders, as well as the company's working capital, were sufficiently large to permit the declaration of an extra dividend which has been paid regularly since 1912. However, the directors of the company decided it inadvisable to




consider payment of any extra dividends, because of the heavy Federal Income and Excess Profit taxes they had to meet, and because they wished to keep cash large enough to prosecute the business, due chiefly to necessarily increased inventories of raw materials. Furthermore, business had declined considerably since the signing of the armistice, and the outlook for 1919 did not appear to be particularly bright. The accompanying table gives a detailed account of the company's income for the period 1912-1918, in dollars per share of the total outstanding stock of $16,965,100 of $100 par value ($18,000,000 authorized capital).

We note from the table a gradual rise of earnings since 1914, the date of the outbreak of the Great War. This may be due, in part at least, to the fact that the company during that period did an unusually heavy business, imports from abroad, especially Sweden, Japan, and Bohemia, having been greatly reduced or eliminated altogether. In 1918 after conclusion of hostilities, gross income decreased pronouncedly, almost 50% from the preceding year. In 1919, the first few months appeared very trying since the company's trade had become heavily stocked up, but a very favorable change ensued after a while, and the earning for the past year will be very satisfactory, according to a high official of the company. He also informs us that earnings are expected to increase considerably during 1920 due to the ever growing demand of the company's product, and the extensive business which Diamond Match is about to carry on in Porto Rico and South America.

| Year | Gross Income | Operating Income | Net Income | Dividends Paid | Working Capital |
|---|---|---|---|---|---|
| 1912 | 14.76 | 12.47 | 10.12 | 6.63* | 41.15 |
| 1913 | 12.87 | 11.04 | 8.09 | 6.64* | 46.28 |
| 1914 | 11.01 | 9.07 | 6.72 | 6.64* | 47.40 |
| 1915 | 13.44 | 9.44 | 7.09 | 6.90* | 47.41 |
| 1916 | 23.09 | 21.61 | 15.47 | 7.75* | 54.98 |
| 1917 | 33.16 | 30.64 | 13.09 | 9.00* | 61.65 |
| 1918 | 21.64 | 16.67 | 10.96 | 8.00 | 65.30 |
| Annual Average | 18.75 | 15.85 | 10.22 | 7.37 | 52.02 |

*Includes an extra dividend of 1%.

**Properties Owned**

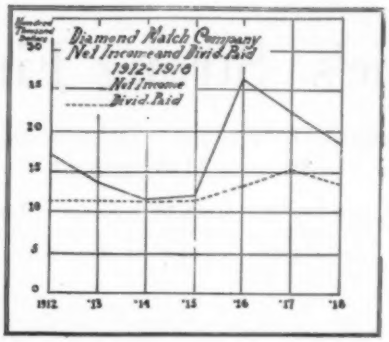
The recent additions to the company give sufficient proof of the growing business which is most general and most diversified. In addition to the match factories which the company has at Oswego, N. Y., Barberton, Ohio, Oshkosh, Wisconsin, and Chico, California, it also owns a machine shop and foundry at Barberton, a paper board mill at Southford, Connecticut, and block and shook factories at Athol, Mass., and Biddeford, Maine. The company has also extensive lumber mills and vast tracts of pine timber land in California, Massachusetts, New Hampshire, Vermont and Maine, plants in Sopkane and Savannah and is interested in companies engaged in the manufacture of

**The Diamond Match Factory at Barberton, Ohio**

matches in Peru and England, in which latter country Diamond Match controls a substantial interest in the Briand & May Match Company, one of the largest distributors of matches in Europe.

**Outlook for Investors**

The constant rise in the company's cumulative surplus (see accompanying chart) and the uninterrupted payment of dividends since the date of incorporation in February, 1889, render the stock a safe investment issue, and there is every reason to believe that the company will continue the payment of dividends at the present rate. At the prevailing price of the stock, around 127, which is traded in on the Chicago Stock Exchange, it appears to be a satisfactory investment. To be sure, it sells somewhat higher than the stocks of some other companies which pay the same rate of dividends, but if we consider that Diamond Match has no funded debt while those other companies have, the outlook for investors is fairly bright, particularly as there is a possibility of higher dividends in the future.




"Knowledge is the only fountain both of the love and the principles of human liberty."—WEBSTER.

# Securities We Would Not Recommend and Why

TRANSCONTINENTAL OIL—My main reason for having left this stock alone in the past is upon the general consideration that corporations starting business with millions of shares outstanding have a poor chance to find a stable market for their favorite at the outset. It often pays to wait until it is self-evident that the stock is finding its way out of the hands of the underwriting syndicate into the strong boxes of investors. T. C. N. does not appear to have commenced doing this from 62 down to 34. Now that the capitalization has been cut in half by the appraisement of Wall Street one can commence to take breath and "watch the stock"—although it is selling low, judged by former standards; it will, nevertheless, require watching. Undeniably the company has exceptional long pull possibilities as a business enterprise, but one must question the wisdom of capitalizing future prosperity in a time of prosperity, up to the hilt. Adverse reports have come to hand regarding Texas acreage, and without taking sides, this is not surprising. Wild-catting in oil is a hazardous business, and new fields coquettish.

The market sponsors for Transcontinental must have "barrels of money" by now and they may see fit to take back a lot of stock at one half the price the public in general paid. I don't believe the stock has been fully distributed—it fell too rapidly for that. Those who buy now have the consolation of paying far less than the other fellow; they will do so with their eyes open to the speculative character of the venture, and—with a good chance for the stock to recover some of its severe loss. But—

Caution must be the watchword.—D.

Vol. 25, p. 327.

**American Tire Corporation.**—A local brokerage firm is selling shares of above company at $10 each. The sale was accompanied by promises that the stock would shortly be traded in on the New York Curb, and that it has great speculative possibilities.

There actually exists an American Tire Corporation supposed to be manufacturing a "blow-out-proof" tire, which claims to be able to produce at least 1,000 tires and as many tubes daily, and 10,000 feet of hose. The investing public is informed that the company has acquired all the machinery and equipment of the American Rubber Products Co., which will enable it to manufacture tires and tubes for which there is an ever increasing demand.

A considerable amount of the stock appears to have been sold to the public. As a speculation the value of the stock cannot be measured; as an investment it seems to have no value whatsoever, and I am inclined to think that the purchase of the "blow-out proof" stock may actually prove a serious blow to the carelessly investing public.—M. W.

**Shoe and Leather Stocks.**—I would prefer to avoid investments in these issues because the companies are too prosperous. That may sound paradoxical, but the time to invest is when prices are low—if possible, when conditions are at their worst and are ready to improve. The time when a business is at its high pitch of prosperity is likely to be near the time when its stocks are selling at top figures.

The war created a tremendous demand for shoes and leather, and at the same time reduced the supply in Europe because of the reduction in the number of cattle kept. Consequently shoes are selling at something like three times their former prices. This will have some effect in reducing the demand, for a great number of people will have shoes resoled and repaired instead of buying new ones. In this country there is a chance for a great saving in this respect, for we have always been prodigal in our shoe buying.

The shoe and leather companies may not feel the effect of this at once, but it is bound to come, and shoe prices will, in my opinion, fall—not to pre-war prices, but materially below the present level. I would prefer to wait for this to happen before buying shoe and leather securities.—G. S.

**American Writing Paper Preferred,** selling around 58, is out of line with other preferred issues in the market, and, we are inclined to belive, is overvalued. Until greatly benefited by conditions created by the war, the company did not earn its full 7 per cent dividend in any year of the period, 1912-1915, inclusive. In 1916, 20 per cent was shown on the stock; in 1917, 1.2 per cent; in 1918, 10.20 per cent, and in 1919, according to unofficial sources, 4.5 per cent. The stock is cumulative, but no dividends have been paid since August, 1913, and the accumulated dividends now amount to more than 130 per cent. The company is overcapitalized, and the earnings have not been sufficient even during the war period, when other paper companies were squeezing the water out of their capitalization, for this property to rectify its past sins. Despite the fact that during the past decade the preferred has earned only about 42 per cent, there is much talk of the paying off of back dividends, but this obviously is next to impossible as an early consideration unless it be done for a very small proportion, and then it is doubtful if the company could continue the full 7 per cent dividend for any length of time.

At 58, therefore, the investor has in American Writing Paper preferred an issue that is paying nothing, and on the basis of the past ten years' earnings could pay at the maximum an average of 4 per cent annually, a net return of less than 7 per cent, for the recovery of any substantial portion of the back dividends is a very remote possibility. Rumors of the payment of back dividends may furnish an impetus for short-lived speculative rallies, but as an investment and a permanent holding in which to see good market appreciation, an issue like Pere Marquette prior preference 5 per cent cumulative stock, selling at 65, to net about 7.7 per cent, is much more attractive.—J. S.

**Credit Finance Co. 7% Gold Bonds** would not attract me, because, as stated in the company's circular, they are really certificates of indebtedness issued by a comparatively small company which is endeavoring to develop a business in purchasing open accounts of manufacturers, wholesalers and jobbers. If I were buying a security in a company of this kind, I would prefer to buy the preferred or common stock of the Commercial Credit Co., of Baltimore. This concern has been in business many years, is thoroughly established and its business is absolutely sound. The common stock of the Commercial Credit Co. is earning a very large surplus over its present dividends.

# Western Pacific's Strong Financial Position

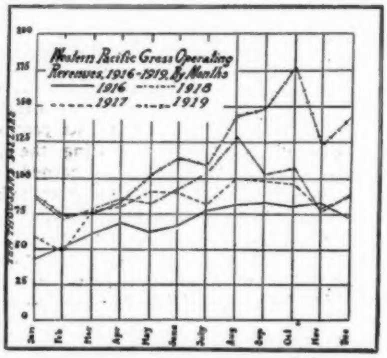
## Splendid Showing During Federal Operation—Stability of Stock Prices—Prospects Under Private Management

WESTERN PACIFIC earned more than 50% of a full year's standard return in the month of October, 1919, alone. During the whole period of Federal operation no other road has made any such showing.

As to the strong financial position of the company no better proof can be offered than the materially stable average price of its shares for a period of more than four years, that is, since its incorporation in 1916, when it succeeded the Western Pacific Railway Company, organized in 1903.

**Company's Claims Against Denver & Rio Grande**

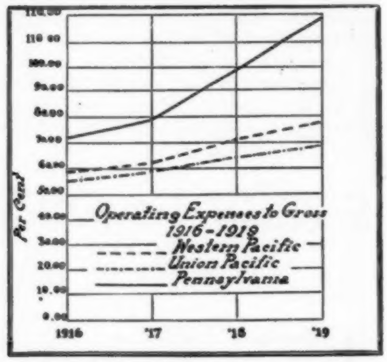
Early in 1917 Western Pacific acquired all of the rights, claims, and demands




against the Denver & Rio Grande Railroad Co. and its predecessors on account of their common obligations under the contract known as "Contract B," to which Western Pacific Railway Co., the predecessors of and the present Denver & Rio Grande Railroad Co., and the trustee under Western Pacific Railway Company's first mortgage bonds were parties, and in accordance with which the Denver & Rio Grand guaranteed payment of the interest on those bonds.

Those claims became the subject of a suit against the Denver & Rio Grande, brought in the U. S. District Court for the Southern District of New York, because the company had failed to perform its promises contained in Contract B, that is, to loan to Western Pacific Railway Co. sums which, together with the earnings of the latter company, would be sufficient to meet its operating expenses and taxes, and to make the payments of interest and sinking fund moneys called for by the first mortgage bonds of Western Pacific Railway Co. A judgment was entered in this suit in May, 1917, in favor of Western Pacific, and was affirmed by U. S. Circuit Court of Appeals for the Second Circuit. Since the Supreme Court of the United States has denied the Denver Company's petition to review the decision, the judgment became final.

The average price of the common was 25½ in 1916, 24 in 1917, 24¾ in 1919. This compares favorably with other rail




stocks, which dropped, in some cases, more than 25 points from the price at which they were selling in 1916. Even during 1919, a year so trying for many a road, the price of Western Pacific stock remained fairly constant. The accompanying graph shows the prices of the company's stock, both preferred and common, for 1919 by months. Changes were very slight. The price of the preferred stock was even more stable.

TABLE I—INCOME ACCOUNT DURING FEDERAL CONTROL.

| | 1918. | 1919. | Increase in %. |
|---|---|---|---|
| Federal Rental .................... | $2,322,000 | $2,569,200 | 10.6 |
| Other Income .................... | 436,311 | 436,311 | .... |
| Gross Income .................... | $3,758,311 | $3,005,511 | 25.0† |
| Interest, Expenses, etc............ | 1,228,953 | 1,228,953 | .... |
| Net Income .................... | $1,529,358 | $1,776,558 | 16.2 |
| Preferred Dividends .............. | ........ | 1,650,000 | .... |
| Net for Common ................ | ........ | $126,558 | .... |

†Decrease.

In connection with this, it is also of interest to compare the road's per cent of operating expenses to gross for the four-year period (see graph) with the corresponding figures for Union Pacific, which has made an especially good showing in this respect, and Pennsylvania, a typical Eastern carrier.

**The Income Account**

The certified annual guarantee to the company by the Government was $1,950,451, and compensation offered by the Administration, but declined by the company, amounted to $2,322,000. Based on this figure, the net income aavilable for the company's common stock was $126,558, or 27 cents per share on the $47,500,000 outstanding common stock, after payment of the required 6% (although a 6% dividend is called for the company reduced the dividend rate to 4%. The above account for 1919 is only hypothetical) dividend on the $27,500,000 preferred stock, which is non-cumulative and convertible. Table 1 gives a detailed account of the road's income during 1918-1919.

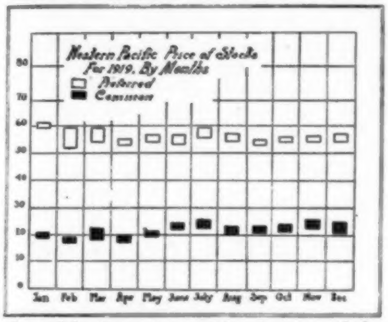

*Copyright by Underwood & Underwood, N. Y.*

**STOCKTON, CALIFORNIA**

**One of the Busiest Cities on the Western Pacific System, Where a Large Percentage of the Road's Freight Is Handled. This City's Prosperity Is Typical of the Growing Prosperity the Railroad Is Now Enjoying**

The increase in the Federal rental for the past year is due to equipment which the company received in November, 1918, and which, on a 6% income basis would entitle it to $247,000 per annum from that date. Since only little of this amount is applicable to 1918, it was not taken into consideration.

The company asked additional compensation, amounting altogether to $4,601,-296, because the road was undeveloped and has made large expenditures for additions and betterments and for branch lines and equipment which were not re-




flected in the net operating income of the road. Had the company been operated for its own instead of Government account, it would have earned, with other income and charges, $8.14 and $9.30 for 1918 and 1919, respectively, on a share of its common stock, after allowing 6% dividend on the preferred.

Table II gives a detailed account of the company's income during the two years of independent operation, that is, during 1916 and 1917. We note an appreciable increase in the road's gross operating revenues, which rose steadily since 1916 (see accompanying graph) and a marked increase (more than one-fourth) in the total income. The very pronounced increase in "Other Income," namely, 246.4%, is due to an increase in hired equipments from $53,644 in 1917 to $385,740 in 1918, and in "Income from Unfunded Securities and Accounts" from $144,758 to $384,300. Due to the considerable increase in fixed charges the earnings per share remained practically unchanged. Even for the entire period of operation, that is, from 1916 to 1919, the earnings per share did not change very appreciably. Table III gives a detailed account of the road's operating income, by months, per share of common stock, for the four-year period.

TABLE II—INCOME ACCOUNT DURING INDEPENDENT OPERATION.

| | 1916. | 1917. | Increase in %. |
|---|---|---|---|
| Gross Operating Revenue ........ | $8,270,262 | $9,889,484 | 19.6 |
| Net Operating Revenue .......... | 3,319,639 | 3,708,429 | 11.7 |
| Other Income .................. | 238,800 | 827,969 | 246.4 |
| Total Income .................. | 3,181,389 | 4,043,905 | 27.1 |
| Fixed Charges .................. | 741,476 | 1,600,636 | 116.1 |
| Net Income .................... | 2,439,913 | 2,443,269 | .1 |
| Earned per Share of Common.... | 5.14 | 5.15 | .... |

**Road Will Benefit by Private Ownership**

It can be stated with certainty that the return of the road to private ownership will soon be followed by the establishment of a degree of efficiency in operation which did not exist during the period of Federal control. If the desired and necessary legislation is enacted, the outlook for the future appears brighter than at any time since 1918, the date of the road's placement under Government control. In this respect, Senator Kellogg of Minnesota is very active, demanding prompt railway legislation. Vol. 25, p. 253.

TABLE III—NET INCOME PER SHARE OF COMMON IN CENTS.§

| | 1916. | 1917. | 1918. | 1919. | Four Year Average. |
|---|---|---|---|---|---|
| January .............. | .16 | .34 | .51 | .18 | .30 |
| February ............ | .21 | .12 | .31 | .14* | .13 |
| March ............... | .40 | .53 | .37 | .22* | .27 |
| April ................ | .51 | .59 | .57 | .04* | .41 |
| May ................. | .34 | .79 | .49 | .34 | .49 |
| June ................ | .52 | .79 | .14 | .53 | .50 |
| July ................. | .65 | .54 | .81 | .55 | .64 |
| August .............. | .64 | .76 | 1.24 | 1.27 | .98 |
| September ........... | .71 | .65 | .67 | 1.14 | .79 |
| October ............. | .65 | .71 | .38 | 2.03 | .94 |
| November ........... | .84 | .36 | .21 | .77 | .55 |
| December ........... | .55 | .58 | .32* | .91† | .43 |
| Yearly Average ...... | $6.20 | $6.75 | $5.40‡ | $7.32 | $6.42 |

§After deduction of taxes, uncollectible railway revenues and outside operations. *Denotes loss per share. ‡Based on total income for 1918 as reported to the Interstate Commerce Commission. †Estimated.

# Interesting Resumé of the War

"THE Peace Treaties," published and copyrighted by the Federal Trade Information Service, contains seventy-six pages of closely printed matter concerning the treaties, written so as to be easily understandable to us laymen. One finds the terms of the treaties as set down astonishingly interesting reading—nothing dry or ponderous about them. Then one reaches the back of the book and finds fifteen pages of the most illuminating statistics appropriately titled "Milestones on the Road to Victory."

Here are a few of the facts offered for your consideration:

"The number of men serving in the armed forces of the United States during the war was 4,800,000, of whom 4,000,000 served in the army.

"It took three years for the English armies in France to reach a strength of 2,000,000, but the American armies did it in one-half of that time.

"Our participation in the war lasted 19 months. Half a million men were sent overseas in the first 13 months, and a million and a half in the last 6 months.

"American plants produced a greater number of complete units of artillery than all those purchased from the French and British during the war. American armies had in France 3,500 pieces of artillery, of which nearly 500 were made in America. They used on the firing line 2,250 pieces, of which 130 were made in America.

**AMERICAN LOANS TO ALLIES***

**The following advances have been made by the United States Treasury to the Allies. These debts are represented by demand obligations bearing 5% interest.**

| | |
|---|---|
| **Belgium** .................. | **$343,445,000.00** |
| **Cuba** ...................... | **10,000,000.00** |
| **Czecho-Slovakia** .......... | **55,330,000.00** |
| **France** .................... | **3,047,974,777.24** |
| **Great Britain**.............. | **4,316,000,000.00** |
| **Greece** .................... | **48,236,629.00** |
| **Italy** ...................... | **1,618,775,945.99** |
| **Liberia** .................. | **5,000,000.00** |
| **Roumania** ................ | **30,000,000.00** |
| **Russia** .................... | **187,729,750.00** |
| **Serbia** .................... | **26,780,465.56** |
| | **$9,689,272,567.84** |

**A total of $10,000,000,000 in loans to the Allies has been authorized by Congress and it is expected that within a short time the whole authorization will be utilized.**

***Corrected to September 10, 1919.**

"American aviators used 2,689 'planes at the battle front, of which 667 were of American manufacture. American aviators brought down 755 enemy 'planes in action and lost 357.

*"The most intense concentration of artillery fire ever recorded was that of the American troops in the battle of St. Mihiel, when our artillery fired more than 1,000,000 shells in four hours.*

"The war cost the United States considerably more than one million dollars an hour for over two years."

From such striking, unembroidered paragraphs as the foregoing, the history then switches into tables, of which perhaps the two most interesting are reproduced here. Numerous other official tables are presented, including a compilation of the war debts of the principal nations, figures of American participation, gross tonnage of seagoing merchant vessels lost in the period from August 1, 1914, to November 11, 1918 (figures from U. S. Shipping Board, Division of Planning and Statistics), the estimated war expenditures of the principal nations, etc.

People who would possess a well-balanced, authoritative and exceedingly interesting fund of information about the war would do well to obtain a copy of this little history.

# Changed Status of U. S. Realty & Improvement

## Company Benefited by Real Estate Boom and Shortage of Building Construction—Cause of Improved Earnings—Bonds Versus Stocks

*By* **J. B. COWETT**

TO borrow an often quoted saying from the Bible, it seems as if the seven fat years are now following the seven lean years for the real estate business. For a number of years, realty in New York City was not very profitable, but everything comes to him who waits, and realty is beginning to show some real profits, much to the distaste and discomfort of rent payers.

United States Realty & Improvement is partly a real estate company and partly a construction concern. In fact the full title of the business, if one wanted to have the name completely descriptive of the chief sources of revenue, would be U. S. Realty & Improvement and George A. Fuller Company.

Viewing the situation broadly therefore the company stands to benefit from the present situation in New York real estate in two ways. As a large owner of real estate, its revenues from rents should increase considerably, in so far as the company is not tied up with old leases, and since there is a grave shortage in buildings, which must be made up before long, the construction side of its business should receive larger orders.

Both the debenture 5 per cent bonds and the stock of U. S. Realty have scored good advances since the beginning of the year, the stock moving from 44½ to a present quotation of about 55, and the bonds from 76½ to 81½. These advances have undoubtedly come by way of discounting the improved conditions of the company, but do they discount all of the company's possibilities? Are the securities worth more than prevailing quotations?

U. S. Realty & Improvement was incorporated in May, 1904. The company owns all of the outstanding stock of the George A. Fuller Company, one of the leading construction concerns in the world; a controlling interest in the Plaza Operating Company, and large interests in the Broad Exchange and Alliance Realty Companies. The George H. Fuller Company controls, through stock ownership, the George A. Fuller Co., Ltd., of Canada.

**U. S. Realty's Activities**

The company proper and its subsidiaries own many very valuable properties in some of the choicest locations in New York City. These include the Trinity Building, 111 Broadway; U. S. Realty Building, 115 Broadway; Fuller Building, Fifth Avenue and Twenty-third Street, and the Whitehall Building, Battery Place. The cost of the real estate and buildings owned in fee is about $35,814,000, but because of mortgages, U. S. Realty's equity in them as of April 30, 1919 (end of the fiscal year), was $21,652,864. This is before making deductions for re-valuation by the company in 1917 to make provision for shrinkage in value, which will be discussed below.

Practically all of U. S. Realty's holdings are productive. Some months back there were three or four unproductive properties, but the boom in real estate has enabled leasing the old O'Neil building at Sixth avenue and 20th and 21st streets for 21 years at an aggregate rental of $2,000,000, thereby cutting down the expenses of carrying unproductive properties. Improved real estate conditions have also made possible the renting of houses adjoining this property on favorable terms and the sale of a number of holdings at attractive figures. Some of those sold include the Everett Building, Fourth avenue and 17th street; Federal Sugar Building, 91 Wall street; 128-130 West street, and 67 Wall street. On

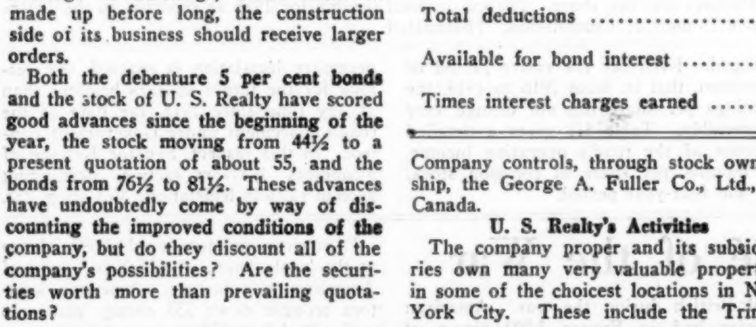
TABLE I—SUMMARY OF INCOME ACCOUNTS (U. S. REALTY & IMP. AND GEORGE A. FULLER CO.)

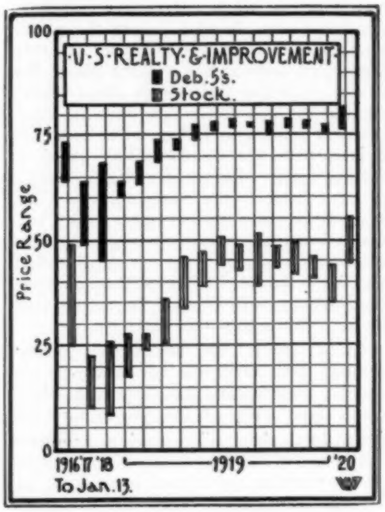
| April 30— | | | |
|---|---|---|---|
| Income from: | 1917. | 1918. | 1919. |
| Investments | $1,787,965 | $1,647,153 | $1,736,071 |
| Building contracts | 504,903 | 1,388,260 | 1,971,619 |
| Miscellaneous profits | 139,474 | 32,520 | 12,377 |
| Total income | $2,432,343 | $3,057,933 | $3,720,067 |
| Deductions: | | | |
| Interest paid and expenses, unproductive real estate | $757,672 | $714,321 | $695,558 |
| General and corporate expenses | 545,642 | 770,151 | 761,641 |
| Depreciation of buildings | 39,137 | 40,747 | 42,832 |
| Total deductions | $1,342,451 | $1,686,012 | $1,643,472 |
| Available for bond interest | $1,089,892 | $1,371,921 | $2,076,595 |
| Times interest charges earned | 1.8 | 2.3 | 3.5 |

TABLE II—EVOLUTION OF SURPLUS ACCOUNTS.

| April 30: | Surplus. | Total Assets after Deducting Deficits. |
|---|---|---|
| 1916 .... | $1,217,626 | $33,249,913 |
| 1917 .... | *9,214,886 | 23,009,257 |
| 1918 .... | *8,437,850 | 23,772,819 |
| 1919 .... | *6,957,754 | 24,733,928 |

*Deficit.






the last named plot, the Fuller Company is to construct a 25-story building for the Munson Steamship Line.

The George A. Fuller Company, as stated above, is one of the leading construction companies in the world. Its reputation is equalled by few concerns in the business. It took quite a prominent part in the building of the new subways in New York City; the remarkable Pennsylvania and Commodore hotels of New York City are its structures, and recently it has made very large additions for such prominent concerns as U. S. Rubber and General Motors. During the war period, the Fuller Company had contracts from the Government amounting to about $25,000,000, which included the building of Camp Funston at Fort Riley, Kansas. In the 1918 fiscal year, U. S. Realty entered the shipbuilding field. The Carolina Shipbuilding Corporation (owned by George A. Fuller & Co.) was organized to build twelve 9,500-ton vessels, the contract price being $20,514,000, which includes a fixed fee and in addition a participation in any saving realized. Very little has been said about these vessels, but the completion of this contract should result in large profits, unless heavy excess profits taxes take them away. The company now owns the yard at Wilmington, N. C., and intends to stay in the shipbuilding business.

In addition through U. S. Realty's investments in a number of subsidiaries, it is interested in the operation of the Plaza Hotel (New York City), and has a large interest in the Broad Exchange and Alliance companies, which own and operate valuable office and hotel properties in New York, Boston, and some other cities.

**Higher Rents Not Yet Reflected in Earnings**

Because of changes in the company's accounting system in the 1918 fiscal year, it is not possible to make any very detailed comparisons for a number of years. A summary of the income accounts of U. S. Realty & Improvement and George A. Fuller Company for the fiscal years 1917-1919, inclusive, is presented in Table I.

The income from investments represents rentals from the properties held in fee and dividends and interest from securities in companies in which U. S. Realty and George A. Fuller are interested. The amounts as given are after deducting interest charges on mortgages on property holdings which in the 1919 fiscal year were $636,102, and in 1918, $640,760. The net operating income from real estate and buildings owned by U. S. Realty and George A. Fuller amounted to $644,045 in the year ended April 30, 1919, compared with $598,863 in 1918. From other real estate investments the amounts received in these years were $455,923 and $407,533, respectively.

Clearly then the increased rentals commanded for space in New York City, especially in office buildings of the better grade, did not benefit U. S. Realty's revenues in any marked degree. The reason for the slight advance of only about $46,000 is that the company was tied up with a number of long-term leases made on the old basis of rental values. The 1919 report states that as these leases expire they will be renewed on a basis more favorable to the company, and larger revenues from rentals have undoubtedly played a large part in increasing earnings on the stock during the 1919 fiscal year.

The improvement in the company's showing since 1917 is rather to be found in the expanding income from construction business. The revenues from this source grew from $504,903 in 1917 to $1,971,619 in 1919, and account almost entirely for the increase in net earnings. The activities of the

TABLE III—REAL ESTATE ACCOUNT—APRIL 30, 1919.

| | | |
|---|---|---|
| Cost (April 30, 1916) | $35,814,864 | |
| Less mortgages | 14,162,000 | |
| Equity of U. S. Realty | $21,652,864 | |
| Reserve for depreciation | 587,326 | |
| Net value of equity | $21,065,538 | |
| Other real estate investments | 7,874,782 | |
| Total equity in real estate | | $28,940,320 |
| Estimated shrinkage as per capital asset adjustment, April 30, 1917 | $9,556,097 | |
| Less items written off two years ended April 30, 1919.. | 125,676 | |
| | | 9,430,421 |
| Net value of real estate investments | | $19,509,999 |

HOTEL PENNSYLVANIA, NEW YORK

**One of the Most Modern Structures in the City and a Good Specimen of the Numerous Huge Buildings, the George A. Fuller Co., a Part of the U. S. Realty Co. Organization, Has Helped to Erect**

George A. Fuller Company during the war period have been narrated above, and according to the company's reports the margin of profit on Government work was smaller than in commercial business. As of April 30, 1919, the construction company had unfilled contracts amounting to nearly $25,000,000 on its books, but since that time it is reported to have added much more business. It is reported also that the company has closed contracts for building construction in Japan costing over $50,000,000, which is to be done on a cost plus basis. Under present conditions the margin of profit on construction should be substantial, and the prospects for enlarged orders are very bright, for the country is more than a year behind in new building.

In short, the earnings of the company have bright prospects. Increases are to be expected as leases on real estate expire and are renewed on the basis of current rentals, and the revenues from the construction side of the business should also show good growth.

### The Balance Sheet and Write-Offs

The balance sheet of the company has undergone a number of changes since 1917, chiefly because of two write-offs: one for temporary losses on subway contracts and the other for the shrinkage of value in real estate holdings resulting from revaluation during the 1917 fiscal year. Taken as a whole the statement of assets and liabilities is one of the most interesting in corporation analysis.

The evolution of the corporate surplus account and the amounts of total assets as of April 30, 1916 to 1919, are presented in Table II.

At the end of the 1916 fiscal year, the corporate surplus was $1,217,626. The George A. Fuller Company was awarded a large contract to build three sections of the new subways in New York City. Due principally to the unforeseen abnormal increases in the cost of labor and supplies over which the company had no control, it has, temporarily at any rate, suffered some loss in connection with this work. To cover any probable loss, the company has written off $2,954,000 from its surplus account during the 1917 fiscal year. The reports state that the concern has just claims upon the city for any losses in the prosecution of the subway contracts and that these are to be presented before the proper authorities. Indications are that these claims will be settled favorably to George A. Fuller without having to resort to litigation.

Another large write-off came during the same period. For years the real estate investments had been earned at cost, which at the end of the 1917 fiscal period was $35,814,864. During the depression in New York City realty, the value of many of the holdings had depressed below costs, and after a revaluation it was decided to write down the equities of U. S. Realty to the amount of $9,556,097.

There was in all then $12,510,097 written off from the company's surplus during the 1917 fiscal year, but since the corporate surplus at the beginning of that period was $1,217,626 and the surplus earnings for the year $493,392, the net deduction from assets, subject to various adjustments, was about $10,000,000. The value of total assets has been increased since by the "plowing back" of earnings into the property and write-offs for real estate. The deficit in the profit and loss account was diminished to the amount of about $2,250,000 at the end of 1919 fiscal period.

### Real Estate Holdings

The manner in which the value of real estate has been written down after revaluation in 1917 is interesting. The value of real estate equities has not been diminished among the assets, but the charge has been made against surplus. Table III summarizes the condition of the real estate as of April 30, 1919. The equity in real estate owned in fee then was about the same as in the 1917 balance sheet.

Moreover the 1917 report states: "It is to be pointed out that any real estate appreciation, either through sale or return to productiveness of any of investments so revalued, will be applicable to a betterment of the company's condition." Also according to reports the company has inaugurated the policy of selling its real estate wherever attractive prices can be obtained. The net value of the company's equity in real estate investments is carried on its books (April 30, 1919) at $19,509,999.

The whole transaction in connection with the write-off on real estate holdings appears therefore to have been largely one of an accounting character, and the betterment in the company's condition by increased values of realty has come to pass. Under present conditions, the deficit shown on the balance sheet has undoubtedly been mostly wiped out, and the 1920 report may very likely show a surplus again.

While the great prosperity in New York realty has not as yet been reflected in full measure in larger rentals, it has "smiled graciously" upon U. S. Realty in advancing the values of its holdings. It is unofficially estimated that the present value of the four largest holdings alone exceeds $40,000,000, and many reports are current that in keeping with the company's policy, it contemplates selling some of its "skyscrapers" downtown at "fancy" figures. If this is actually done, U. S. Realty will have a great deal of capital, which, if not used to acquire other assets, may be applied to the retirement or purchase of the debenture 5s, provided that the expansion in the construction branch of the business does not call for large capital outlays. The outlook is that U. S. Realty may transform itself from a hybrid concern to a pure construction company, under very advantageous terms.

### Are Debenture 5's Still Cheap?

The capitalization outstanding consists of $11,930,000 debenture 5s, due 1924, and $16,162,800 common stock. Of these the bonds are much the more interesting security. National City Bank interests have been prominent on the company's directorate for years in the persons of Messrs. Vanderlip and C. E. Mitchell, and the late James A. Stillman had the largest single block of bonds. How Mr. Stillman came to choose these bonds it is difficult to say, but at any rate he held a bargain.

The bonds have been undervalued for years, and it has been only in the past month or so, when speculative possibilities have been dangled before the public through reports of retirement at 105, that they have been at all anxious about the bonds. Whether the reports about retirement at 105 will materialize only the management knows, and they won't tell. Of course, with the bonds selling at 81 it will be much cheaper for U. S. Realty to buy them in the open market. The sale of the company's choicest realty will result in funds enough to retire the outstanding bonds, and the technical deficit will be removed, but since the construction business will expand the money may be kept for use in this direction.

Aside from any speculative profits through retirement the bonds are an attractive investment of the general business man's type, even at the prevailing high figure, and they offer good possibilities.

The stock has had a sharp advance in recent months, and is now around 55, the highest point since 1914. No dividends have been paid since 1915, but the stock has piled up large aggregate earnings in the past eleven years, only a rather limited proportion of which have been paid out in dividends. According to unofficial estimates the stock should earn about 20% in the 1920 fiscal year. A graph herewith presents the earnings and dividend records of the stock and also the total of earnings and dividends paid out in the years elapsing from 1910 to the various periods indicated on the graph. The amount plowed in per share is shown on the ordinate (vertical line) for 1920 by the difference between the total earned in the eleven years and the dividnds paid out.

The net quick assets per share have never been very large, and at the end of the 1917 and 1918 fiscal years there were actual deficits in working capital. As of April 30, 1919, net quick assets amounted to less than one dollar a share. This condition has undoubtedly been greatly improved during the current fiscal period.

Theoretical equities behind the stock as of April 30, 1919, were about $50 a share, but this figure has little significance. The asset position of the stock has been greatly improved by recent developments, and if we assume that the amount written down for depreciation on real estate values has been made up, the assets per share should be about doubled or somewhat more than $100. If U. S. Realty sells its realty holdings and retires its bonds, the assets per share may be entirely different, but they should be much more satisfactory than at present.

At 55, the stock has had a large advance, but its possibilities are hardly completely discounted. The large earnings of the current year should be continued for a few years yet and may even show improvement, as rentals will remain high on leases now entered into, and the construction business should show good expansion. In point of earnings then the outlook for the stock is very bright, and before very long dividends might perhaps be renewed, though this will depend a great deal upon the capital needs of the company. The stock is, in my opinion, an attractive speculation for a long pull, but as between the stock and bonds, the latter are, I believe, the more attractive purchase.

# Rapid Growth of Kelly Springfield

## Has More Than Doubled Earning Power Since Its Organization—Prospects Appear Excellent

THE Kelly Springfield Tire Company ranks high in the expansive list of tire manufacturing companies whose earnings have soared with the automobile era of civilization. The company's plants have been taxed to capacity practically since its organization, earnings available for dividends on the common stock have risen from around 20% in 1914 to above 83% in 1918, and the business outlook is for increased sales and correspondingly larger profits in 1920.

According to a statement made not long ago by a director of the Kelly Springfield Co. the automobile companies of the United States are planning to produce 2,750,000 machines in 1920. Each car, according to this authority, uses an average of five tires a year. On this basis, domestic requirements of the automobile owners of this country in 1920 will approximate 13,750,000 tires. Figuring in destruction of cars by fire and accidents and consequent new buying, the tire companies of America will have to turn out something like 14,000,000 tires in 1920. These figures on demand, coupled with the known excellence of the Kelly Springfield Company's products, give the basis for the company's prosperity in a nutshell.

To accommodate its rapidily growing business, the Kelly Springfield Company decided last year to largely increase its facilities through the construction of a new plant. The city authorities of Cumberland, Md., got wind of the intended expansion and entered into negotiations with the company for the purpose of persuading it to locate there. They offered Kelly Springfield a free site in that city, a bonus of $750,000 and declared the land would be exempt of taxes for a period of ten years.

The Kelly Springfield Company took advantage of this desirable offer, and work on the new plant was begun at once. Specifications call for the erection of the highest type of factory, with complete modern equipment, to cost in the neighborhood of $7,000,000. From a high official of the company it is learned that the Cumberland plant will more than double the capacity of the Kelly-Springfield Company. When it is considered that the company has for a long period been far behind on its orders, the value to be derived from its enlarged facilities will be apparent. The plant site embraces about 60 acres of ground, and will be in operation some time within the next five months—soon enough, that is, to largely increase the earnings of the Kelly Springfield Company for the current year.

In addition to the new plant at Cumberland, Kelly Springfield has works at Akron and Wooster, Ohio, and Buffalo, N. Y. Of the latter three, the Akron factory is probably the largest, covering 6½ acres of ground and comprising three buildings.

Kelly Springfield has done a land office business in the manufacture of rubber tires ever since its organization in 1914. Gross profits, as indicated in Table I, herewith, amounted to $7,187,834 in 1918, as against gross profits of $2,203,761 in 1914, an increase of more than 200%. Although officials of the company are disinclined to discuss the company's 1919 earnings at the present time, it is understood from sources which are generally well-informed that the results for 1919 will set a new high record.

Regarding the amount of business now on the company's books, nothing more detailed can be said than that the demand for Kelly Springfield tires is far in excess of the company's production facilities. In this connection, an official of the company calls attention to recent statements to the effect that, as of September 30, 1919, Kelly Springfield was 75,000 tires behind on its orders. Such estimates as these, he points out, are meaningless, at least where any effort is being made to gauge the amount of "unfinished business" on the company's books. The important point is not so much how many tires the company is under contract to build but what type. It goes without saying that several thousand Ford tires will not constitute so large a proportion of a company's business as an equal number of Packard or truck shoes. Probably the originator of the statement referred to used it as a last resort owing to his inability to get the "poundage" figures from the company.

TABLE I—KELLY-SPRINGFIELD'S INCOME AND PROFIT AND LOSS.

| | 1914. | 1915. | 1916. | 1917. | 1918. | 6 Mos. to June 30, 1919. |
|---|---|---|---|---|---|---|
| Gross Profit ........ | $2,203,761 | $2,880,080 | $3,464,458 | $4,323,955 | $7,187,834 | $3,762,381 |
| Oper. Expenses ..... | 1,014,015 | 1,195,873 | 1,404,388 | 1,720,335 | 2,598,068 | 1,742,743 |
| Net Oper. Income .. | 1,189,745 | 1,684,206 | 2,060,070 | 2,603,620 | 4,589,765 | 2,019,638 |
| Other Income ....... | 41,874 | 22,537 | 57,243 | 45,293 | ........ | 33,893 |
| Int. and Misc. ...... | 16,476 | ........ | ........ | ........ | 224,538† | ........ |
| Net Income ......... | 1,215,143 | 1,706,743 | 2,117,313 | 2,648,913 | 4,365,227* | 2,053,531 |

†Includes "extra compensation" on profit-sharing basis.
*Before providing for Income and Excess Profits Taxes.

### The Stock Dividend Plan

The most recent development in Kelly Springfield affairs, and the one which promises to be of greatest importance to the stockholders in the long run, has been the announcement made early in 1919 that the company had adopted a stock distribution plan which was to be effective as long as the company's business and prospects warranted it. Briefly, this plan provides for the issuance by the company of

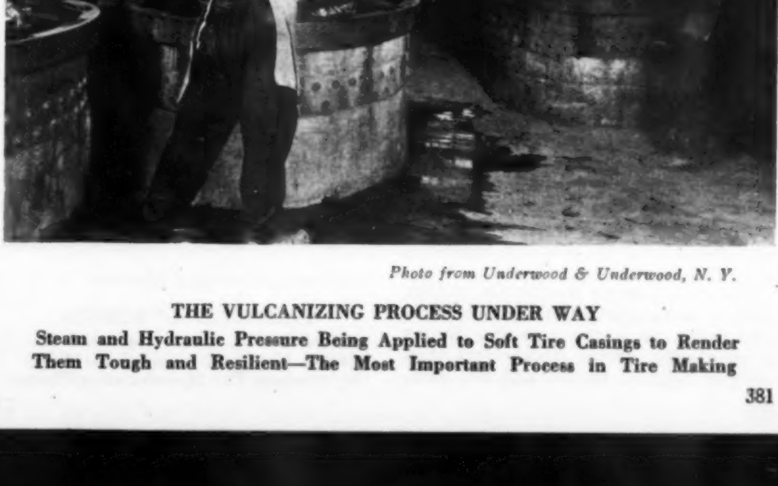


*Photo from Underwood & Underwood, N. Y.*

THE VULCANIZING PROCESS UNDER WAY

**Steam and Hydraulic Pressure Being Applied to Soft Tire Casings to Render Them Tough and Resilient—The Most Important Process in Tire Making**

quarterly stock dividends amounting to 3% of individual holdings. To accomplish this distribution the company authorized an increase in the common stock from $5,029,000 to $10,000,000. The general features of this plan are as follows:

The stock dividend of 3% quarterly on individual holdings at date of payment is cumulative—that is, the disbursement is made on constantly increasing holdings, assuming a stockholder retains his original shares. For the first quarter in which the plan is operative, the holder of 100 shares of Kelly Springfield receives three shares of stock gratis; for the second quarter, he will receive 3% of his then 103 shares, or slightly over three shares additional. At the end of 12 months, or the conclusion of the first year, the common stockholder will have received about 13 shares of stock.

Assuming that the stock distribution plan is maintained for a second year, the new stock added to the holder's lot will amount to about 15 shares on every 100 shares that he owns.

TABLE II—KELLY-SPRINGFIELD WORKING CAPITAL.

| Year. | Current Assets. | Current Liabilities. | Working Capital. |
|---|---|---|---|
| 1913 ..... | $1,946,443 | $31,976 | $1,914,467 |
| 1914 ..... | 2,717,405 | 253,576 | 2,463,829 |
| 1915 ..... | 3,581,605 | 182,069 | 2,399,536 |
| 1916 ..... | 5,127,345 | 350,938 | 4,776,407 |
| 1917 ..... | 6,605,499 | 1,632,662 | 4,972,837 |
| 1918 ..... | 9,440,120 | 2,305,502 | 7,134,618 |

The stock dividend plan, it is pointed out, increases the company's cash dividend obligations during the first year it is operative by only $100,000. Should it continue operative for eight years it will amount to a 100% stock dividend distributed during that period.

Should the plan continue operative for a period of 5½ years from May, 1919, the holder of 1,000 shares of the stock would receive total cash dividends on his shares during that period amounting to $32,406; and his holdings, by the end of the period, would have nearly doubled—exactly, they would have increased from 1,000 shares to 1,967 shares.

Assume, on the other hand, that 100 shares of Kelly Springfield common are purchased at the present price of around $140 a share. In a period of one year, the buyer would receive $400 in cash dividends and 12 shares of new stock, equivalent, at $140 apiece, to $1,680. In other words, on his original investment of $14,000 he would receive an income value of $2,080, or a yield of roughly 15%.

Interests close to the affairs of the company believe that its earning powers, especially in view of the expansion now under way, will warrant the continuance of this stock dividend policy for a long period. However, it is well to note the statement made by the company at the time the plan was declared operative, which was as follows:

"The Board deems it advisable to fully disclose to stockholders its present dividend policy, but at the same time desires to specifically inform stockholders that, while it believes surplus and net earnings of the company will justify the continuance of the above referred to quarterly dividend of $1.00 per share in cash and 3% payable in common stock at par, dividends on the common stock are necessarily subject to increase or decrease depending at all times upon business and financial conditions prevailing at the time of their declaration."

**Financial Policy**

The Kelly Springfield Company was organized under its present form in 1914, growing out of what was then the Consolidated Rubber Tire Company, of New Jersey, formed in 1899.

The company has paid out large amounts in dividends since its organization, but its earnings have been correspondingly large, fully justifying the payments made.

When the present company took over from the old Consolidated Company, one of its inheritances was an issue of preferred stock on which about 78% in back dividends had accumulated. Following the organization of the new company, this dividend accumulation was paid off through the issuance of $902,358 2d preferred stock. The funding issue was made convertible into common stock, and, by the year 1916, the conversion privilege had been exercised on the entire issue.

The 1st preferred stock of the new company received an initial dividend payment in April, 1914, this rate having been maintained up to the present time. It has been estimated that the earnings available for dividends on this 1st preferred issue from 1914 to 1918, inclusive, amounted to 29.26% in 1914, 42.85% in 1915, 56.23% in 1916 and 72.47% in 1917 and 124.75% in 1918. The earnings available for the small 2d preferred issue for the two years it was in existence amounted to 98.96% in 1914 and 1,907% in 1915.

The common stock received no dividends during 1914, the first year of the present company's existence. Disbursement on this issue was 7% in 1915, 15% in 1916 and 16% in both 1917 and 1918. At the present time, as has been stated, this issue is on a 4% cash and 12% stock annual basis. That these payments on the common stock have been fully warranted is indicated by Table II herewith, which shows that, despite large dividend payments, the Kelly Springfield Tire Company has been able to reserve large amounts in the form of working capital for the pursuance of the company's business. Earnings on the common stock for the years 1914 to 1918, inclusive, have approximated 20.74%, 28.53%, 36.78%, 48.11% and 83.09%, respectively, an average for the five years to 1918 of nearly 44%. The figures for 1918 are before Federal taxes.

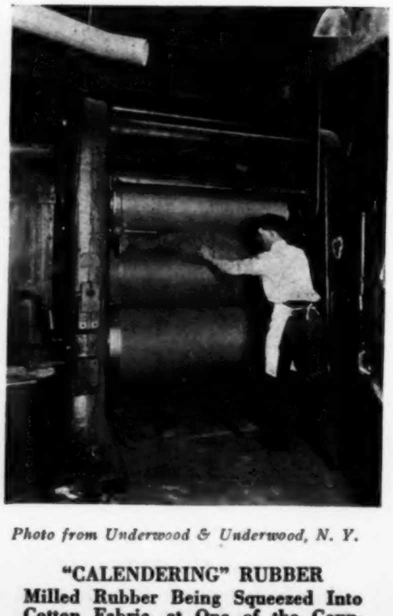


*Photo from Underwood & Underwood, N. Y.*

**"CALENDERING" RUBBER**

**Milled Rubber Being Squeezed Into Cotton Fabric, at One of the Country's Largest Tire Manufacturing Plants**

At the present time the capitalization of the Kelly Springfield Tire Company consists of an authorized $10,000,000 common stock, of par value $25, of which $5,954,416 is outstanding (the par value of the common was reduced from $100 to $25 on February 2, 1916); $3,900,300 1st 6% cumulative preferred, par value $100, with $3,317,100 outstanding, and $5,000,000 8% cumulative 2d preferred, par value $100, of which $5,860,200 is outstanding.

The increase in the common issue was for the purpose of accomodating the stock dividend policy of the company referred to above, and is sufficient to maintain this stock disbursement plan for close to eight years. The new 8% cumulative preferred was put out for the purpose of constructing the Cumberland plant. Dividends on the latter issue were begun last November and the next payment is to be made in February of this year.

With its new Cumberland plant in operation, the Kelly-Springfield Company will rank very high among the quality-quantity producers of the country and there is believed to be good reason to expect that 1920 will be a banner year for the company.

About the middle of 1919 the company closed contracts with four large automobile concerns which it was estimated would increase Kelly-Springfield's business between $10,000,000 and $15,000,000 annually. The contracts included: Packard Motor Car Co., for standard equipment for passenger cars and trucks; Federal Truck Co., for pneumatic tires exclusively; Winton Motor Car Co., standard equipment for passenger cars, and the White Motor Car Co., standard equipment for passenger cars.

Contracts of this type, besides being very substantial, have the added value of being more or less permanent, since their renewal is largely a matter of satisfactory execution and the continuance of the prosperity in the automobile industry. This business, taken together with the other large customers on the Kelly-Springfield books, will assure the future of the company; and since its past performances have proved it capable of advantaging fully from business activity there is every reason to expect a prolonged upswing in the company's earnings.

At its present level of around $140, yielding close to 15%, the probabilities favor higher prices for the common stock.

# Trade Tendencies

### As Seen By Our Trade Observer

## Steel

### Production Improving

A CONSIDERABLE improvement in the steel industry is noted in recent weeks, although producers are still a long distance behind in their deliveries. Pig iron output has shown a decided increase, apparently stimulated by the higher prices obtained within the last few months. Coke supplies, while not all that are needed, are coming along in better shape, and the steel industry as a whole is estimated to be running at about 75 to 80% of capacity.

Few concerns are taking on orders further ahead than the first quarter of this year, although they could book themselves far ahead on the basis of inquiries received. Prices of semi-finished products are firm, with a marked upward tendency, which apparently has not reached its peak. The leading interest has announced its determination to stand by the old schedule unless some remarkable change takes place in the industry. This is probably one reason why its unfilled orders showed such a great increase for the month of December.

The official announcement that the steel strike is over does not seem to have created much interest in steel circles. Apparently they knew it long before. The labor shortage, measured in terms of efficiency, is still a factor in keeping down production.

Shortages are most apparent in wire, bars and plates, the latter being especially wanted by the oil industry for tanks, tank cars and tank steamers. Some sheet consumers are trying to find a way out of their difficulties by buying sheet bars and having them rolled for them on a toll basis.

The export demand is now receiving more attention that it has for some time, producers apparently feeling that now is the time to establish good foreign connections which may be of value as a reserve demand if domestic buying should slacken. Japan and France are active buyers, and the East and South America are putting in inquiries for large tonnages. The export trade has been helped considerably by decreasing competition from Great Britain, where prices are soaring. It is known that some Far Eastern trade has been lost by British producers because they no longer are able to undersell American steelmakers in certain lines.

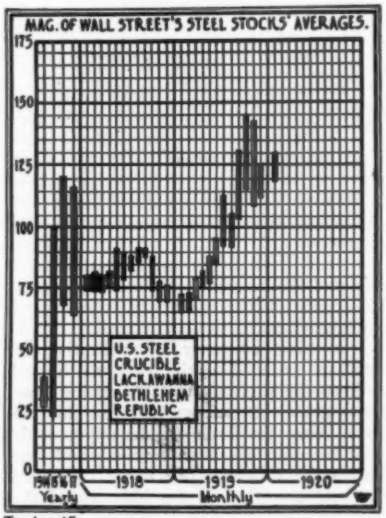
### The Railroad Demand

An outstanding question in the steel industry at the present time is what may be expected of the railroad demand for equipment and rails. Orders for the latter have already begun to come in, and reservations have been made for a good

THE average investor has neither the time nor the opportunity to follow devolopments in the various industries, although such developments at times are of vital importance in the consideration of the long range prospects for securities. This department will summarize and comment upon the tendencies in the more important trades as expressed in the authoritative trade publications and by recognized leaders in the various industries. As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these trade tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.

deal of additional tonnage. How much the total buying of rails will amount to is uncertain, of course, and much will depend on how generously the railroads are treated by Congress.

The additional difficulty arises that if a considerable tonnage of rail orders comes in within a short time, before steel facilities have reached 100% production which



To JAN. 15.

is hoped for, a congestion of orders will arise, causing postponement of deliveries and perhaps disorganization of the market. Railroad equipment buying, in the meantime, has been of small proportions, except for oil tankers.

Structural steel, too, is becoming firmer, though no decided shortage is as yet visible. Generally, the industry is more interested in production than any other phase of the business at the present time, and the price level seems due for only slight further advances for some time ahead.

## Coal

### Production Up Again

THE settlement of the strike has been taken in good faith by the miners, apparently, as practically all of them have returned and weekly production figures are close to the high marks made last year just before the strike. Both anthracite and bituminous show this improvement. Car shortage is said to be restricting output, as it has done for some time, since the winter drive on coal began.

Export transactions in coal are now again possible, under restrictions. When an attempt was made to modify these regulations, the exports began to mount so fast as to threaten the domestic supply, whereupon the clamps were again applied.

Competition with oil is being taken seriously by the coal industry, although this competition is becoming less effective from the price point of view as the price of coal is stationary for the time being and the price of crude oil and refined products, more particularly in this connection fuel oil, is advancing and may go still further. However, coal men are protesting against the continued governmental regulation of prices, and there is talk of bringing the legality of price-fixing at this time into the courts.

### The Coal Commission

The commission appointed by the President to settle the issues raised in the strike has begun its hearings, after a certain unwillingness had been expressed by some operators to comply with the terms on which the Government settled the strike. It is at present gathering evidence as to hours and wages of labor in the coal fields, and also investigating on the basis suggested by the statement of Mr. McAdoo as to excessive profits made by some corporations in the coal mining industry.

In the meantime charges are being made by union leaders that discrimination is practiced against ex-strikers by the operators on their return to work. Action of this sort would tend to cut down production, at this time when it is highly important that as much coal be mined as the cars can take away.

That there is a shortage of production because of last year's slack output is indicated by the preliminary estimate of 1919 production published by the U. S. Geological Survey. The total for the year was lower than for any year since 1915, and about 20% lower than the 1918 output.

Export demand is very active, as Europe is getting on its feet again industrially and finds that its coal mining facilities have not grown as fast as its industrial plants. Coal for bunkerage is also in great demand, as prices at coal stations supplied by English coal are extremely high, with an upward tendency. The United States is rapidly taking the leadership in the export coal trade, a position formerly held by Great Britain,

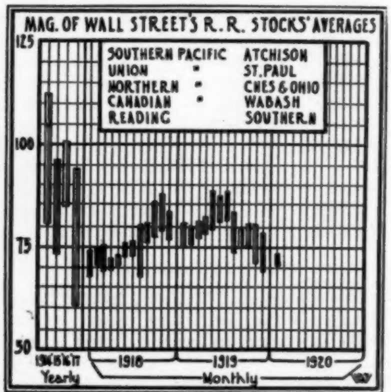
but forfeited of late because of lower production, leaving but little as exportable surplus, and higher prices.

The price outlook is uncertain, as much depends on how long and how far Government control will continue to be exercised. If all control over exports and prices is relaxed, for example, it is quite probable that the foreign demand will tend to equalize American prices for coal with those prevailing abroad, which would bring down foreign prices and bring up ours. The only barrier is a restriction on exports and the continuance of some measure of price control.

## Railroads

### Conference Working Out Conference Bill

THE Senate-House Conference committee, which is ironing out the differences between the Esch and the Cummins bills, has by this time settled most of the minor points involved. Among them are the amount of the revolving



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fund which the roads will be permitted to borrow from, the length of continuation of the standard return to the carriers, the definite grant of power to the I. C. C. to revise intrastate rates fixed by State commissions in such cases where these operated to cause discrimination in interstate traffic.

The committee is now facing the hardest problems of reconciliation in the major issues, such as the guaranteed rate of return on investment, the anti-strike provisions of the Cummins bill, and the rate-making clauses. Expressions of opinion are coming in from bodies, such as the American Federation of Labor, opposing the discontinuance of Federal control and the proposed outlawing of railroad strikes; from the National Shippers' Conference, opposing the creation of a transportation board, guarantee of return on investment, or compulsory consolidation; and the Association of Railway Executives, which does not seem to be of united opinion as to the merits of the provision for a fixed rate of return with abstraction of excess profits.

#### Current Operations

In the meantime, railroad operation is continuing at a loss, but a diminishing one, ascribed by Director-General Hines to the coal strike and its after-effects, which compelled a good deal of hauling to be done for the public interest at a sacrifice of profits. Railroad trackage actually in use, according to a recent compilation, shows net loss for the year, because of the excessively small mileage of new construction, the lowest in decades, and the abandonment of some tracks.

Car shortage is being complained of by many industries and by agricultural producers, but tonnage carried is higher than last year. Difficulties in unloading cars are being met with, which add to the shortage of available cars by decreasing the traffic turnover.

Gross earnings are running at about war-time figures, but operating expenses have so increased as to leave but little for net income. The Eastern lines have been especially hard hit, being unable to meet operating expenses and taxes. The Western lines, not being similarly affected by the coal strike and having in addition a considerable revenue from crop movements, have been doing relatively much better than earlier last year.

How the roads will make out when restored to private ownership will depend to a considerable extent on the legislation now pending, as to which nothing final is known in regard to this very point. It is considered likely that most of the roads will apply for higher rates, and even without any fixed return by law on their investment, may obtain them.

## Railway Equipment

### Railroads' Needs Estimated High

WITH the approaching end of Government control of the railroads, interest in the equipment field centers on estimates of probable needs and purchases by the roads. The deferred buying of equipment since 1916, together with an unprecedented volume of traffic, have combined to produce a car shortage which has got to the point of hindering many industries in the successful conduct of their business.

Increasing efficiency of utilization of existing railroad equipment has helped to keep the shortage from becoming even more acute, but experts say that for the time being the limit of development in this direction has been reached, and that unless the railroads are to be hampered in their growth and the industry of the country choked, more equipment must be purchased. In this connection the statement of Director-General Hines to the effect that the railroads must be prepared to handle a considerable volume of traffic for a long time to come is often quoted.

To sum up, one railway expert has estimated a new car output of 237,000 a year for the next three years as the least necessary to fill requirements. This compares with a total of 36,532 cars actually bought between 1915 and 1918. The amount of potential business awaiting the equipment factories of this country and Canada is therefore tremendous.

Just how much of this will be translated into actual orders depends largely on how the railroads fare in the act of Congress which will be evolved as a result of deliberations now pending. The more income the roads are permitted to earn, the more they will be able to spend on their equipment.

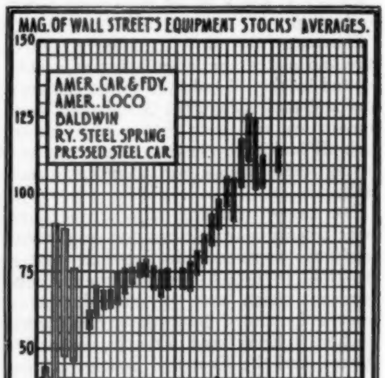
For the present, the equipment companies are carrying on on the basis of sporadic foreign orders and a fair amount of business from industrial concerns. Improvement in the foreign exchange situation would help the industry considerably, as it is known that a great need for equipment exists practically all over continental Europe.

#### Financing Equipment Obligations

From Washington it is heard that plans for the formation of a national equipment trust corporation of $370,000,000 capitalization to fund the obligations of the individual railroads for equipment purchased by them under Federal control have been given up. It is said that the present time was not considered propitious for the flotation of new securities. Instead, each railroad will turn in car trust certificates to the Railroad Administration, bearing 6% interest and running for 15 years. The net result is that the Treasury will do the financing of these obligations, instead of the general public.

It is understood that practically all of the equipment allocated to the railroads by the Administration has been accepted, in spite of previous protests about the high price at which the equipment was bought. This may be taken to indicate that the railroad managements do not believe that there will be a substantial reduction in the cost of equipment for some time.

The Washington reports indicate that later on the plan for a national equipment trust may be revived on the basis of the equipment trust certificates now in the hands of the Government, by the sale of securities of the new corporation to the public. This would relieve the Treasury of the burden of financing the purchases, and would add to the supply of



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high-grade investment securities on the market. Obviously, such action would have to wait until money rates were lower and railroad credit better regarded.

In the meantime, while orders for rails are beginning to come in, the demand for cars and locomotives has not assumed noticeable dimensions as yet. Pending such action, the equipment industry is in a state of considerable uncertainty.

## Pulp and Paper

### Another Shortage

THE rising prices of pulp and paper, particulary newsprint, were among the most remarkable of last year. Apparently the releasing of much shipping tonnage by Great Britain let loose a flood of exports from the Canadian mills which had long been waiting for a chance to get out. At the same time an unusually heavy demand made its appearance, in this country more than in Canada, for paper and paper products, as more books were printed, more publicity matter published, and new publishing enterprises started.

The shipping difficulties of Canada in the early part of last year had arisen from the fact that during the war a goodly proportion of Canadian tonnage had been put under British registry for purposes of protection. After the armistice, attempts to return this shipping to Canadian registry were unsuccessful, as the British Government insisted on keeping these ships for its own transportation purposes. As a result, the Canadian paper industry, which depends largely on exports, was seriously crippled, particularly as allotments of British-controlled Canadian tonnage for the use of private shippers were reduced from 50% to 30%, then to zero.

In the meantime a flood of orders from British sources was accumulating, one order alone having called for 200,000 tons of newsprint. At the earliest opportunity these orders were filled, and while Canada kept up its own control over paper prices, it was obliged to fix the prices higher and higher as American publishers offered higher prices to Canadian manufacturers. It must be added that the authority of the Paper Controller to fix after-war prices is now pending judicial determination.

At the present time newsprint prices are more than twice what they were at the beginning of the year, and stocks on hand are considerably smaller than usual. The export business has shown a great improvement, and the American publisher is in the position of competing for both American and Canadian paper with foreign buyers, while at the same time the demand is more intense as the consumption of paper in this country is increasing. The outlook for lower prices is not especially encouraging, as the demand is keeping up its intensity and production costs are going up.

## Building Materials

### Unseasonable Price Advances

ALTHOUGH building tradition is adverse to price advances in building materials at this time of year, when new construction is usually at an ebb because of the weather, the consensus of opinion in the trade is that advances may be expected in most of the principal materials. Brick, for instance, is in scarce supply, the blame being laid on transportation difficulties. The brick handlers, barge crews and captains, and brick towers, are demanding higher wages, costs of handling being said to be 60% more than at this time a year ago.

Lumber is also experiencing a shortage of supply, output being restricted by car shortage. Most of the lumber used comes from the West or the South, both of which involve long-haul traffic. At the same time bad weather in the South is said to have made a good deal of lumber unavailable. Glass-cutters and glaziers are causing considerable labor difficulties in their industry, the results having been shown by a price advance in window glass of all sizes.

At the same time the boom in building is showing no signs of abatement, though building men fear that price advances, if continued, will end by narrowing the market as effectually as war restrictions. Estimated expenditures for new construction this year amount to $2,500,000,000, compared with $1,500,000,000 last year. In view of this tremendous demand, much of which has been postponed for years, the market for building materials is in a very strong technical position, permitting, if not justifying, further price advances.

## Grain

### Wheat Prices Above Government Guarantee

AN indication that it is time to go slow in the wheat and flour markets was given by Wheat Director Barnes in his statement warning the trade of the risks it may incur once Government control has been withdrawn and advising dealers to reduce their commitments to the minimum necessary for current business. Wheat prices had been going up for some time because of the difficulties of transportation, and the fact that a good deal of the wheat available had been taken up by contracts with the Grain Administration. This showed up particularly in the export trade, when dealers tried to make arrangements in answer to the request from Great Britain for individual export offers.

Prospective buyers of wheat for export found themselves in competition with the millers, who are also somewhat behind on wheat stocks, and the result to date has been a strong market. Statistically, however, the position of wheat is by no means strong, with a bumper crop of wheat on hand and the prospects of considerable influx of Canadian wheat, now that restrictions on the exportation of wheat from the Dominion have been withdrawn. Stocks on hand are somewhat less than twice those of last year at this time.

The exportable surplus is figured out to be considerably more than can readily be moved at the present time, with exchange and credit conditions as they are. It is anticipated that the end of the spring wheat season will find us with a considerable holdover of the old crop. The main factor in the strength of wheat has been the difficulty of moving stocks known to be on hand from the interior to points where they would affect the market, such as the elevators and ports, resulting in a temporary excess of demand over supply. The call for wheat for export has intensified this situation, and considerable confidence has been based on the apparently inexhaustible foreign demand.

The Federal guarantee on wheat, while blamed by some for the present high prices, has not controlled the market so much as supply and demand conditions, although of course the buying of the Grain Corporation has undoubtedly been a factor. With the improvement of transportation facilities and the clarifying of the European situation, it would not be surprising to see a decline in the price of wheat and its products.

## Sugar

### Scarcity Believed Over

WITH the increasing inflow of Cuban raws into this country, it is believed that the worst of the sugar shortage has been seen and that while prices will remain substantially higher than last year's fixed price, the supply at least will be adequate. The first few shipments of new crop raws sold some 2 cents a pound more than the present price, and the decline is attributed to the realization that in all probability the supply for this year will be sufficient to take care of the demand.

Exports of sugar have apparently not been as important a factor in creating the shortage as increased consumption in this country. It is estimated that the current rate of consumption is 92 pounds per capita anuually, while the 1918 rate was about 82 pounds. Prohibition is partly responsible for this increase; also increasing use of luxuries, and partly export of manufactured products of sugar.

Foreign demand is believed to be decreasing, with a tendency on the part of many European countries to retrench imports until their exchanges were in better condition. Central European countries will probably be able to furnish a fair supply of sugar to their neighbors, thus eliminating the necessity of appealing to this country or to Cuba for aid in obtaining their supply of sugar.

World production, most of which centers in Cuba, is known to have increased considerably because of the increased demand, followed by increased prices for their products.

#### Status of the Sugar Board

The Sugar Equalization Board, while nominally in existence and even with a considerable range of powers under the McNary act, is not expected to exercise any active supervision over the sugar industry. It has announced that in case of any advance in prices which it believes are due to profiteering or hoarding rather than to the natural workings of the law of supply and demand, it will take active measures, but otherwise it intends to retain only the skeleton of its organization.

The present situation is believed to be working out satisfactorily to the interests of every one involved, as there will be a greater supply of refined sugar available and it is not expected that any price increases will follow. At the same time refiners allege in some cases that larger margins between cost of raw sugar and price of refined will be necessary.

"When I see a merchant over-polite to his customers, begging them to taste a little brandy and throwing half his goods on the counter—thinks I, that man has an axe to grind.—CHARLES MINER.

# Mr. Frick and His Bequests

HENRY CLAY FRICK died, left his city mansion, his art collection and millions of dollars to the public. That sounds very ordinary. The chronic malcontent against wealth will become cynical — as usual—and wonder why Frick didn't leave loaves of bread for the East side poor, rather than $100,000 masterpices by Velasquez, Van Dyck or Rembrandt.

Which sounds plausible enough. But it requires some consideration to get at the heart of the coke-steel king's motive.

Henry Clay Frick often sat before the fireside thinking over his millions, his pictures, his early struggles, the masses whom he mixed with and knew so well. He ruminated, long and often as he kicked the dying embers with his boot: as he probably tried to solve the hardest problem of his life—how to properly dispose of his wealth.

* * *

HISTORY has a habit of repeating itself, so let us go back from Frick to Caesar, from modern New York to ancient Rome, and see if we can learn something.

Shakespeare, in his play, "Julius Caesar," tells how the long-nosed Roman ruled his subjects with wisdom, tempered with strict discipline. Caesar had his likes and dislikes. For one thing he didn't like the Bolsheviki.

The agitators who pestered Caesar didn't call themselves Bolshevists: it might have been Nihilists, Communists, Anarchists, Revolutionists or anti-Caesarists. The name made no difference. They didn't like Caesar or his government, and were prepared to kill all who opposed them.

There was a fellow called Cassius who, described by Caesar, figures up thus: "I like not yon lean Cassius . . . he hath a hungry look. Give me men that are fat."

"There!" says the modern critic. "Give them bread! They won't get fat on pictures!"

Let us continue with Caesar's comments on Cassius, the historical Bolshevist who "started something" in Rome. *"He likes not music as thou dost, Antony . . ."*

Caesar did not trust men who disliked music, and his judgment proved correct. Brutus, his friend and secret rival, got up a little party to meet Caesar at the Forum. "Among those present" was Cassius, the lean and hungry one. The guests brought their own knives. Caesar got *his* in the small of the back. Cassius struck first and Brutus his friend followed suit, which led to the dictator's famous and last words, "Et tu, Brute?"

HENRY CLAY FRICK was also the victim of Bolshevist dislike, and he was shot in the neck by Alexander Berkman during a strike-riot, because Berkman and his friends considered Frick an enemy of the people. Berkman was deported a few weeks ago on the "Red Ark"—back to Russia. Frick died a few weeks before that happened. Berkman hasn't yet proven himself to be the people's best friend. Frick has done this by his last will and testament, leaving the bulk of his huge fortune to art and education for the people.

WHY didn't Henry Clay Frick divide up his wealth like a real Socialist that he was at heart. Suppose he would have given each of us about $5 each. He would not have had enough to give us all that, but think what a lot of fun those who received the $5 would have had. They might have spent it in candy, gloves, socks, or the movies. We would not have had the art gallery, and Princeton and other institutions would not have received millions for education, but what of that? Who wants art or education? Who wants permanency or public custodianship of large fortunes, the conservation of priceless art that may inspire generations to lead out of darkness and ignorance into light and plenty? The Bolsheviki don't want them.

Henry Clay Frick did not "divide" because he did not care to see the millions frittered away. He *was* thinking of some permanent way to help others to help themselves: for when they help themselves they can buy their own sweets, pay for their own movies or any other luxuries they favor.

Frick did not do the same as Baron de Hirsch did to the maniac who accosted him on the Paris boulevard. "Divide!" said the maniac, flourishing a musket. "Sure!" said the millionaire-philantropist. "Here's your share!" handing him a five-mark bill. And although the maniac thought his share small, the ever-courteous and cool Baron was able to penetrate the poor befuddled brain of the unfortunate with the justice of his action. The millions of poor people of Paris, Berlin, Hamburg, London and a hundred other cities were also entitled to their share. This much the maniac conceded, and doubtless de Hirsch was equally ready to hand over the individual share of anyone who insisted upon his "rights."

Henry Clay Frick has given me my share and more. One afternoon in my art gallery (it now belongs to all of us) is worth at least $5, and I can go a thousand times. Had Frick divided his wealth *per capita* it would have given each of us so little that I doubt whether we could have purchased a packet of pins (in these times) for our "share"! Besides each would have tried to get the other fellow's mite and the bulk would, by the ordinary familiar process, drift into the hands of a few; and the bigger holders would in turn become "capitalists."

* * *

IT would be no better if each received, say $100, or certificates representing that amount. There would be competition and fights to own more; some would own more, others less, and the balance none. Where would it lead to? There would be a group of little and big capitalists, of profiteers, great and small, or an army of profiteers instead of one or two. Frick knew these things. He had dealt with labor and employees and doubtless felt that the demands of Berkman and his followers for a division of profits would create legions of profiteers instead of handfuls.

Mr. Frick's educational bequests and that of the others will produce other rich men in good time. His fortune was in enterprises that benefitted himself in a small way and others in a large way; and the returns he received personally were infinitesmal fractions of the total wealth he produced. He could not use for his personal benefit a millionth part of the wealth he created.

Hence, he conserved it; and has kept it conserved for the hundreds of millions who can and will enjoy it for decades and centuries to come.

# Building Your Future Income

## A Problem Which Had No Solution—It Is Quite as Important for the Investor to Know What to Avoid as What to Do

A FEW weeks ago we were consulted by one of our subscribers—a lady—who had made an unfortunate investment: at least she *thought* she had invested.

Her trouble was that, attracted by the apparent profits in the partial payment plan, she believed that she could not only benefit by the plan but also "beat the game." At least this was our own diagnosis of her case, although she did not see it that way.

The dilemma was common enough: she had bought about 1,400 shares of Stock Exchange securities that ran the whole gamut of investment, speculation and mere gamble; for example, U. S. Steel, Anaconda, Norfolk & Western, Stutz Motor, International Paper and Missouri, Kansas & Texas. There were others, of course, but this selection is sufficiently representative of her choice. She had also purchased some low priced curb mining stocks which although legitimate enough in their class were a risky type enough for a woman, and the direct route to financial suicide when purchased on margin by a lady.

Against this purchase she had made a deposit with her brokers of $20,000 and obligated herself to pay $4,000 monthly, until all her stocks were fully paid for.

HER securities behaved badly in the November smash in the market, and at the time she came to us her equity had shrunk from $20,000 originally "invested" to around $3,000-$4,000. And her first installment of $4,000 was also overdue and she was unable to pay it.

She told the writer that her promise to pay $4,000 monthly was—let us call it "a technical promise!" She had figured that as under the partial payment plan the brokers could not call for margin, her sole obligation would be the $4,000 monthly. If her stocks went up 10 points she would take a profit of $14,000 or thereabouts. She was sure the market was going up or she would not have parted with the $20,000. Apparently, so far as we could judge, she never had the means nor the intention to keep up the monthly payments.

### What *Could* or *Should* She Do?

No Solon of the stock market, with the combined assistance of Edison, Gallileo, James R. Keene and J. P. Morgan, could solve the lady's problem satisfactorily. Candidly, the writer was "up against it." Two persons were gravely at fault: the lady herself and her broker. Of the two, the latter was far more guilty in accepting such a transaction which, in our judgment, was without conscience. They had allowed their customer to load up with fast-moving speculative issues (including 60 Mexican Petroleum) on a 13-point margin, well knowing that some of her issues (like Stutz or Mexican Petroleum) were capable of wiping out this margin in one hour. They could not have had the customer's interest at heart in allowing such a transaction on their books.

Our subscriber confessed that she was unable to put up any more money. Suppose she had the necessary funds to do so, would we have advised her to protect her account still further? Suppose the market went lower—as it did—would she have been better off?

### Don't Try to Get Rich Quick

IT is useless attempting to get rich quick in Wall Street. It cannot be done *and must not be attempted,* either by the experienced or inexperienced. The most one can expect is a balance of profits over losses where the operation is speculative, and a good return plus increased value in capital invested where income and safety are the objective.

Brokers who directly or indirectly seem to assist you in getting rich quickly, brokers who are "easy" in their margin requirements, brokers who deliberately allow you to overtrade, brokers who do not call you to account when you are exceeding the limits of safety—all these should be avoided and their real motive questioned without delay.

Income builders will find conservatism by dealing through their banks or well-established firms, particularly those that own memberships on the N. Y. Stock Exchange, now worth $100,000 per seat.

# He Goes at It in a Scientific Way

## Story of a Man Who Gets a Lot of Enjoyment Out of the Systematic Building of His Income

EDITOR of THE MAGAZINE OF WALL STREET:

Dear Sir: I think that your department on "Building your Future Income" is an excellent departure and I hope that you will continue it as interestingly as you have begun it. I also am a graduate of "Boston Tech," and so have a natural liking for plots, curves and statistics in general. I am sending you below a few bits of information from my own experience which may serve to illustrate some of the points which are made and repeated so often by those who write to the uninformed about investment.

### The Value of Plots

In 1907 I bought a few stocks and was of course able to sell them at a considerable profit a year or two later. There was nothing clever about it but only the chance of being alive and with a little money at that time. I however came to consider myself quite a speculator and more and more I loaded down my modest list of securities with stocks which paid nothing but which were bought for an advance. On Jan. 1, 1911 a plot showing the per cent income on my securities looked like this:

| *Year* | *Per cent Income* |
|---|---|
| 1902 | 4.14 |
| 1903 | 4.97 |
| 1904 | 6.12 |
| 1905 | 4.99 |
| 1906 | 5.77 |
| 1907 | 4.37 |
| 1908 | 4.37 |
| 1909 | 3.83 |
| 1910 | 2.02 |

A little consideration of these figures convinced me that I was on a wrong and dangerous tack and I gradually began to shift the whole list onto a firmer basis. The result is shown in the continuation of the income plot as follows:

| *Year* | *Per cent Income* |
|---|---|
| 1911 | 2.25 |
| 1912 | 3.46 |
| 1913 | 3.71 |
| 1914 | 4.79 |
| 1915 | 3.84 |
| 1916 | 5.78 |
| 1917 | 6.11 |
| 1918 | 6.68 |

The drop in 1915 shows of course the effects of some speculation which I carried on during the rise of that year.

### What Plots Show the Most

I keep a good many plots adding points at intervals of six months or a year. It does not take me a half a day a year to keep all of my charts and the tables on which they are based up to date. Following is a list of the ones which I consider the most valuable:

1. Cost and value of investments. Shows the total amount invested and the total value of all investments. The difference between the two lines shows the total profits to date.
2. Net income on investments.
3. Per cent income on investments.
4. Per cent of investments which are unproductive. This plot was started in 1910 when the per cent income on my investments was at its lowest. The effect of keeping this plot so that the actual figures were always in mind is shown in the results. Here are the figures:

| *Jan. 1 Year.* | *Per cent of invested capital which is unproductive.* |
|---|---|
| 1910 | 56.4 |
| 1911 | 41.6 |
| 1912 | 41.2 |
| 1913 | 29.0 |
| 1914 | 22.9 |
| 1915 | 17.1 |
| 1916 | 4.6 |
| 1917 | 4.9 |
| 1918 | 6.7 |
| 1919 | 2.2 |

This shows the difficulty of getting out reasonably whole when one has allowed himself to become involved in a number of speculative ventures.

5. The "Ratio Curve" Sheet This is perhaps the most important of any. It is in any case the sheet which shows most definitely one's progress towards the goal, "Financial Independence at Fifty." It answers definitely the following questions on which every man should be posted and what is more important, it keeps one posted on the trend of events in his financial life. The questions answered by the "ratio curves" are. (a) What per cent of your salary do you use for living expenses?

(b) What per cent does your income from investments bear to your salary?

(c) To what extent can you live on your income from investments?

As indicated in the above questions these ratios are formed as follows:

$$\text{(a)}\ \frac{\text{living expenses}}{\textbf{salary}} = \textbf{\% of salary used for living expenses}$$

$$\text{(b)}\ \frac{\text{income from investments}}{\text{salary}} = \text{ratio of salary to income from investments}$$

$$\text{(c)}\ \frac{\text{income from investments}}{\text{living expenses}} = \text{\% of living expenses which could be paid by income from investments}$$

The following table shows the figures which I have accumulated since 1902 for this sheet; (1903 is not available):

| Year | A Liv. Ex. Salary | B Income Salary | C Income Liv. Ex. |
|---|---|---|---|
| 1902 | 89.4 | 5.2 | 5.8 |
| 1904 | 89.4 | 9.9 | 11.1 |
| 1905 | 90.3 | 6.1 | 6.7 |
| 1906 | 73.1 | 7.7 | 10.6 |
| 1907 | 70.5 | 6.7 | 9.6 |
| 1908 | 73 7 | 7.2 | 9.8 |
| 1909 | 75.6 | 6.6 | 8.8 |
| 1910 | 59.6 | 3.9 | 6.6 |
| 1911 | 88.5 | 4.9 | 5.5 |
| 1912 | 76.7 | 8.1 | 10.5 |
| 1913 | 73.4 | 9.5 | 13.0 |
| 1914 | 62.7 | 13.5 | 21.5 |
| 1915 | 66.2 | 12 3 | 18.7 |
| 1916 | 59.9 | 19.9 | 32.8 |
| 1917 | 65.6 | 24.3 | 37.1 |
| 1918 | 65.3 | 32.2 | 47.8 |

Of course for the man in business his income from his business or profession will take the place of salary in the above charts. A man has reached financial independence when C is safely above 100%.

### Trustee's Investments vs. Business Man's Investments

In 1892 my father received $5600 and he experimented with it in the following interesting manner. He divided it into two funds of $2800 each and invested them as follows, adding the interest to the investment in each case. One of the sums, which I will call Fund A was invested only in funds which would be suitable for trustees while the second sum or Fund B was invested in securities of the class which are now often called "Business Men's Investments," namely, good, secure funds, but with a fair chance of profit. Following are the totals of these two funds on Jan. 1 of each year since 1892:

| Year | Fund A | Fund B |
|---|---|---|
| 1892 | $2800 | $2800 |
| 1893 | 2920 | 2920 |
| 1894 | 3060 | 2220 |
| 1895 | 3280 | 2360 |
| 1896 | 3450 | 2550 |
| 1897 | 3640 | 3260 |
| 1898 | 3850 | 3840 |
| 1899 | 4090 | 5400 |
| 1900 | 4240 | 5420 |
| 1901 | 3940 | 5840 |
| 1902 | 4240 | 5160 |
| 1903 | 4450 | 5440 |
| 1904 | 4660 | 4580 |
| 1905 | 4940 | 5920 |
| 1906 | 5200 | 7040 |
| 1907 | 5400 | 7040 |
| 1908 | 5550 | 5340 |
| 1909 | 6306 | 7368 |
| 1910 | 6873 | 8020 |
| 1911 | 7058 | 7485 |
| 1912 | 7521 | 7972 |
| 1913 | 7920 | 8509 |
| 1914 | 7959 | 8387 |
| 1915 | 7775 | 8202 |
| 1916 | 8598 | 11,070 |
| 1917 | 9070 | 12,067 |
| 1918 | 8379 | 11,221 |
| 1919 | 9522 | 13,469 |

The lessons which these figures teach are as follows:

(a) Even the "trustee" type of investments have their pitfalls and need care and attention. See fund A in 1901, 1915, 1918.

(b) The more speculative investments are in the long run better than the thoroughly conservative *if chosen with care.*

(c) Far better than either would have been a combination of both methods by which in such years as 1900 or 1906 the securities would have been changed to the Fund A type to be transferred back to the B type in such years as 1904, 1908 or 1915. This is of course the plan of investing for the "long swings" about which we hear so much.

**The Black List**

We all analyze our successes very carefully. We think about them a great deal and I believe that we understand their causes fairly well. Our failures however we generally hide from our sight and the sight of others and we try to forget them as soon as we can. In the field of investment this is often a bad policy for it paves the way to doing a similar thing on another occasion. I have found it of value to myself and an excellent mental discipline to keep a "black list" of investments which didn't turn out right. In this list are the cost selling price and loss on every bad guess that I have ever made in the investment field followed by a brief statement of the causes which were responsible for the trouble. I am copying my "black list" in full in the following paragraphs because I think it is near enough to the cases of others of your subscribers so that it may be profitable to them to read it:

*1. S. Grocery Co.*

| | |
|---|---|
| Cost Mar. 21, 08 | $2399.85 |
| Sold Dec. 31, 08 | 961.36 |
| Loss | $1438.49 |

*Causes:* Went into a private business on the recommendation of a friend. Together we had insufficient capital, not enough knowledge of the business and our management was poor. We deserved to fail.

*2. W. R. Land Co.*

| | |
|---|---|
| Cost Jan. 1909 | $200.00 |
| Sold Feb. 1910 | 58.58 |
| Loss | $141.42 |

*Causes:* Bought on a friend's recommendation. This was a one-man company with insufficient backing and it probably went to pieces because of a mixture of poor management and petty graft. I was led to a snap judgment by the personal magnetism of the salesman.

3. *Great Northern Ore*

| | |
|---|---|
| Cost Dec. 30, 06 | $159.25 |
| Sold Sept. 15, 16 | 85.25 |
| Loss | $74.00 |

*Causes:* Bought at the top of a boom period. Had not been out long enough to find its level.

4. *Am. Locomotive Com.*

| | |
|---|---|
| Cost Aug. 19, 09 | $318.13 |
| Sold Mar. 17, 15 | 289.42 |
| Loss | $28.71 |

*Causes:* Legislation against railroads holding equipment stocks back. Sold altogether too soon in the war boom. I had a "war bride" and didn't know it.

5. *New England Gas and Coke*

| | |
|---|---|
| Cost June, 1901 | $30 |
| Sold April, 1902 | 9 |
| Loss | $21 |

*Causes:* Professor ———— had a scrapbook full of newspaper comments on the N. E. G. & C. all favorable. It "looked good" to me and I bought without enough investigation. I thought I had an "inside tip."

6. *Westinghouse Elec. & Mfg. Co.*

| | |
|---|---|
| Cost April 10, 1909 | $100.00 |
| Sold Mar. 27, 1912 | 80.00 |
| Loss | $20.00 |

*Causes:* Bought when the company was in the hands of a receiver, at the solicitation of the stockholders committee. Made a good profit on all my Westinghouse and have no regrets for this purchase.

7. *Pennsylvania R.R.*

| | |
|---|---|
| Bought July, 1903 | $126.00 |
| Sold Dec. 27, 1915 | 119.00 |
| Loss | $7.00 |

*Causes:* Bought in the times of good prices and received fair income while this stock was held. Sold at the right time and have no regrets.

8. *Miles Theatre of Cleveland*

| | |
|---|---|
| Bought May 4, 1914 | $96.25 |
| Sold July 14, 1919 | 29.98 |
| Loss | $66.27 |

*Causes:* Bought without investigation on recommendation of friends. A clear case of carelessness and deserved to lose it all.

9. *Brooklyn Rapid Transit.*

Bought Dec., 1914 and
Nov., 1917 ............... $676.00
Not sold yet.

*Causes:* The rise in prices and the rotten political situation in New York. It would have been hard to foresee this debâcle.

10. *Brooklyn Rapid Transit 7% Note*

Bought Nov. 7, 18.............. $956.00
Not sold yet.

*Causes:* Bought to bolster up the B. R. T. stock investment. Was well recommended everywhere. *May* come out some where near all right in the long run.

11. *Manhattan Railway Co.*

Bought 1901 ..................... $141.38
Not sold yet.

*Causes:* Bought as a gilt edged investment but caught in the conditions described under No. 9. Eternal vigilance *might* have saved this.

12. *Russian Internal 5½'s*

Bought Aug. 15, 1916 .......... $620.00

*Causes:* Bought as a gamble with the knowledge that the collapse of Russia would make it a loss. Took a chance with my eyes open.

When I make a new investment I find it a very healthy exercise to read over this list and see if I am letting myself in for anything that may turn out like some of these. I may say in extenuation that on the whole my investments have been fairly satisfactory and these represent only the fag end of the affair.

Yours truly,

O. L. D.

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We have studied your methods with great interest and believe excellent lessons may be learned from such a thorough self-analysis. We feel so sanguine that your methods will help our readers that we take leave to publish your letter in full.

*The Value of Plots*—This is obvious to you and ourselves: We wish all our subscribers could and would use them. Your plots taught you sufficient to make a complete turnabout between 1911-1918 with a greater income-return and probably safety to boot. A large percentage of income does not necessarily mean the best kind of investments so much as producing units that, provided the securities are carefully watched, should under ordinary circumstances help to swell the capital more materially. A low yield or no yield is an actual loss *in points*, as for example a stock bought at 50 and held for a year without a dividend return is a loss of 3 points (6%). At the end of the second year the stock has deteriorated to 44 although no visible loss is apparent if the quotation still stands unchanged. Also: There is the loss of better opportunity, to say nothing of being compelled to stand idle while other opportunities pass by. Your plan of checking up *income* on capital is an excellent one, insuring an adequate balance between investment and speculation.

*Result of the Plots*—We agree that this crystallizes in an efficient way the real progress towards financial independence. We don't know whether your method is the *one* best, but think you will agree that any method is good that is intelligible to the owner and lets him see clearly how he stands at a glance.

*Trustee and Business Men's Investment*—This is firstly for the individual to decide: Whether he is limited to a trust, whether of ultra "conservative" tastes and other facts. A younger man able to look into the field and to study conditions might well stand by the type of "business man's investments," as they usually give a better yield without sacrificing too much in the way of safety. We see no occasion to draw a sharp line, placing "legals" as the safe and sane variety on the one hand, and the business man's investments as belonging to the watch-your-step kind on the other. *All* require a fair degree of caution as your own charts show. And the writer's belief is that if he is compelled in any event to watch, he likes to be well paid for his janitorship.

On the whole you appear to have an excellent grip on yourself; your analyses are valuable, reasoning sound, and conclusions logical. We assume that you are adding to your knowledge by reading extensively, and our guess is that you will become financially independent at this rate, perhaps sooner than you believe it possible.

# Points Income-Builders Should Know

## Brief Explanations of Terms Frequently Met in Financial and Investment Literature

### Bonds

A BOND is a certificate of indebtedness of a corporation. It is a promise to pay at a certain date to the holder of the bond, the sum of money which is represented by the bond. Payment is usually guaranteed by the company by establishing the bond as a lien on all or part of its property. Should the company default on the payment of the principal, the holders may take action to attach the property on which the bond is a lien. A bond is usually interest bearing. Interest on bonds of corporations must be paid before dividends on preferred stock. Bonds are some times issued by cities in order to obtain enough money to build roads, water works, etc. These bonds are usually a lien on the taxes derived from certain prescribed sources, by the city. They are known as municipal bonds.

### Called Bonds

This is the term by which bonds which have been called for payment or redemption are known. Very often a company finds that it is able to pay off a certain portion of its bonded indebtedness before maturity. The usual procedure is to advertise in the newspapers that on a certain date it will receive proposals for such of these bonds as may be offered to it for sale at a certain premium over par or 100. At a certain date a drawing is made and the bonds whose numbers were drawn are called. That is, a notice is usually published in the newspapers that on a certain date, the bonds bearing the numbers published must be presented at the office of the trustee of the bonds. Should a holder of one of the bonds called, refuse to turn in his bond to the trustee he ceases to draw interest on that bond after the date of redemption. His principal, however, can be collected at any time, or he may sell his bond in the open market.

### "Consol" Bonds

This is the name given to any bond issue which has taken the place of various issues of different rates, maturities, etc., so that the various issues are consolidated in to one uniform issue They are also known by their full name of consolidated bonds. This form of bond issue is very common among government securities. For instance, there are British Consol 2½'s United States Government 2% Consols, etc. In the case of the British Government Consols, the latter government reserves the right to pay the principal at will, whenever it so desires. At one time there were traded in the market, what is known as "Consol Certificates." These were issued by the National City Bank of New York, to represent ownership in original "Consols of Great Britain and Ireland."

### Margins

Marginal purchasing is the name given, when a person carries more stock than he has paid for. That is to say, he controls a certain amount of stock without having paid the entire purchase price. The difference in price is paid by the broker who has taken care of the transaction. However, should the stock decline in market value, the purchaser is called upon for additional margin to protect his holdings. Should he not respond, his stock is sold out and he loses all. The advantage of trading in this manner, is that a person is able to control a larger amount of stock than would otherwise be possible. The more conservative brokers require full payment for curb securities and about 30 points margin on stock exchange securities. By 30 points margin, it is meant that on every 100 shares $30 must be paid. More is demanded on higher-priced stocks.

### Stop Loss Order

This is the name given to the method usually used by a trader, to limit his losses, in purely speculative operations. For instance, a person buys stock at $100 per share. He anticipates an advance in the value of his stock but at the same time wishes to guard against too great a loss, should the market decline. He therefore, places a "stop loss" order with his broker. That is, being willing to take a loss of, let us say, three points, but not of five or more, he instructs his broker that should the stock decline 3 points the broker is to sell out at the best price obtainable thereafter. When the stock declines to the point named in the "stop order" the broker must not wait for a bid, but must immediately offer his customer's stock for sale. Stop loss orders when used on inactive securities are considered dangerous, as a market may not be readily found for the stock. Stop loss orders are also used by persons selling "short." They place an order with their broker to buy when the stock advances to a certain number of points above what they obtained it for. This reduces the amount of their losses. This method is the reverse of the "stop order" to sell .

### Averaging Down

This is the name given to the process by which a person reduces the cost of his holdings. In other words, should a person buy 100 shares of stock at 60 and when the stock declines to 50, buys 100 more, he owns 200 shares of the stock at an "average" price of 55. This action is sometimes taken by an investor when the stock which he holds has been depressed by conditions which he believes will not permanently have a bad effect. When his stock recovers, he will have enlarged his profit by averaging down.

To illustrate, a person buys 100 shares of stock at 60. When the stock declines to 50 he buys 100 shares more. Now, should the stock advance to 59 and remain there the stockholder will have a profit of $400, which is represented by the difference between the average price which he paid for the stock and the market value.

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# A True Story and a Moral

A SHORT time ago, when the market was looking particularly sloppy and breaks extending from 5 to 20 points in some of the more volatile fast movers, the writer used a few minutes of the luncheon hour to visit his favorite board room to have a look over the entire deck. The market looked blue and the customers a deep indigo; no mistake, the habitues of board rooms are mostly bulls.

An old acquaintance asked the writer if he didn't think XYZ Oil looked cheap at its (then) deflated quotation. I admitted that the *figures* agreed with that opinion.

"Is it a buy?" my persistent friend asked.

"It depends what you want to use it for," I ventured.

Pressed for a definite opinion, the writer asked, "Are you an investor?"

Surprised but reassured the answer came emphatically, "Of course I am."

I commented upon the fact that investors don't usually spend their time around board rooms: they are too busy making money in business for the purpose of *investing*, and that a board room with its confused sentiment was a poor place from which to judge *investments*. I suggested he'd better go home and think it over; meantime I did not think XYZ Oil a good *investment*, but a mighty good *gamble* at about 15 points lower. Smelters, Anaconda, Westinghouse and others looked better to me that way.

I had a heart-to-heart talk with that man, as he is a well-wisher of mine and clever in business, and I did not like to see him play the lamb's game quite so conventionally. I pointed out the importance of a man deciding *for himself* whether he was an investor, a speculator or a plain gambler. I stated that an investor could make a *lot* of money, a speculator *some* money, but a gambler could only make *trouble*. What he meant to ask was, "Will XYZ go up?" My opinion was "Down before up!" (I was *wrong*.) He agreed with my philosophy, but doubtless thinks me a poor judge of the market. But I *do know* definitely whether I am an investor, speculator or gambler, and, knowing that, I am bound to beat friend guesser in the long run.

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### RECORD FINANCING AND BUSINESS EXPANSION AHEAD

#### Nat'l Bank of Chicago Takes Hopeful View of the Future

"The coming year is likely to be one of record financing and unless unforeseen disasters should be encountered, a period of remarkable industrial expansion for this country. It promises also to be a year of highly important legislation."

# Avoid Speculation in Unimproved Real Estate

## Facts in Regard to Owning Real Estate That Are Often Overlooked Under the Spell of the Salesman's Oratory—Expenses Must Be Carefully Considered

*By* C. LESTER HORN

PERIODICALLY throughout our history there have been times when the supply of accommodations for housing our families or for business purposes has been well below the demand. Such times have invariably given rise to extreme activity in building operations, such as we should no doubt have witnessed in all our large cities during the past year had it not been for the high cost of building linked with labor uncertainties, but which we shall no doubt witness during the coming year or two. Such conditions and building activity in turn produce an active demand for building sites—vacant property—and invariably give rise to active speculation in real estate.

Real estate speculation may be roughly divided into four general classes as to character, viz.: Industrial, business, residential and agricultural. Certain underlying fundamentals apply in operations in all four classes, while naturally there are certain elements peculiar to each class. For instance, speculation in agricultural or farming properties will be controlled much more by demand for and prices prevailing for farm products than any considerations of demand for living accommodations, while speculation in industrial properties or sites will be affected more largely by industrial activities and expansion than any other consideration. The closest relationship existing between any two of the four classes lies between speculations in business and residential properties, in both cases being very closely related to building activities; though, of course, speculation in all four classes is closely related to general prosperity.

Real estate speculation may be again divided into two classes as to condition, viz.: improved or income producing, and unimproved or non-income producing.

As, in this article, we are considering that speculation caused by building activity, we are concerned principally with unimproved (or practically unimproved) property for either business or residential purposes, among the most important considerations are: (a) Probable length of time before advantageous resale can be made, (b) certainty of a demand for the particular piece of property purchased, (c) the probable advance in price which will be secured, (d) the purchaser's financial ability to carry the obligation and all the expenses and payments incident to owning the property until resale can be made, (e) careful appraisal of the risks involved. The first three and last one of these items are those most difficult to determine.

The length of time the property must be held is particularly important, for the reason that if this time be protracted the property may easily "eat its head off" through interest, taxes, assessments, etc., and the anticipated handsome profit be actually a heavy loss. The writer, and indeed anyone who has had much experience with real estate, could mention many instances of properties which have netted heavy losses to the owner through carrying charges exceeding the increment.

That there should be a reasonable certainty of demand for the particular piece of property purchased hardly requires comment, though it is not inappropriate to mention that if the property is one fitted only for particular uses, and there is a supply of properties equally desirable for such uses which will probably considerably exceed the demand, it is highly probable competition would prevent a very material advance. In the case of residential property, it must be borne in mind that with each additional mile from the heart of the city the available properties increase much more rapidly than the distance.

**Many Investors-in-a-Home buy their lots far in advance of the time when they are likely to build, and thus become the owners of unimproved or partially improved property which they are really holding as a speculation, although they may not call it by that name. It is only in cases where such lots are very carefully and shrewdly selected that this policy pays. For the great majority, it is unprofitable if not dangerous, as shown in this article by Mr. Horn.**

For certain classes of property there is a limit to the advance in price which may be expected even under the most active demand and limited supply. If the advance which may reasonably be expected is not sufficiently large to exceed by a good margin all carrying charges (including a good rate of interest) for a considerable period of time, then the purchase will in all probability be a poor one.

Not the least important consideration by any means is the purchaser's ability to meet all financial reuirements should he find it necessary to keep the property over a period of years—since this frequently happens.

**AN INVESTOR'S HOME**

**Unimproved real estate is a speculation—A comfortable, well protected home an investment**

Nor should these requirements be underestimated; aside from payments of interest and principal, the owner of real estate under our system of taxation is required to pay a considerable portion of expenses of government, as well as for improvements, such as sewers, water mains, pavements, sidewalks, etc., *ad infinitum.* Even though "all improvements" are in, according to the real estate salesman, and from all appearances, it frequently happens that it is found that these facilities, if put in by operators, have been slighted or are inadequate and must be replaced, or that the city must put in something which calls for "district assessments."

"The risk involved" is a phrase that covers a multitude of possibilities, and it may be either great or small. Shifting of populations or business frequently change the character of whole districts in very short time. Witness the constant shifting of business centers in New York; the moving of the high-class shops from lower Sixth avenue to upper Fifth avenue; the needle industries out of the midtown loft district into Fifth avenue, and again their proposed move over to Seventh avenue.

Districts which are apparently "made" are not immune from changes which may either benefit or injure, and that thing which is expected to happen may never materialize. Much heralded improvements may never be made; and in the case of suburban additions, for instance, restrictions may or may not attract the class of residents whom they are expected to attract.

During every periodical "boom" from which none of our cities have escaped, new additions have been opened up on the outskirts of the city—even far out into the country—a few improvements started, and possibly a few houses actually built. The principal result, in many cases, however, has been the selling of lots.

Many people living in New York City, and indeed many scattered over New York State, still have a very vivid recollection of the boom in Long Island suburban additions and sub-divisions only ten years ago—some of them also regretfully report that they still own vacant lots, though many have long since taken their losses (even before they could include them in income tax reports).

One of the favorite arguments of some of the less conscientious, or perhaps misguided, real estate salesmen is the possibilities of large profit in buying lots in these new additions, and reselling—and it does sometimes happen that such purchases do turn out successful speculation, but the "risk involved" is most frequently against such success, for the probability of getting "hung up" with the property instead of actually selling it is too great. Should this occur, even though the property may possibly be sold a few years later at a price higher than original cost, it is most probable that a good loss will be the actual result.

Witness one actual case which is typical of thousands which could be found in every city in the country: A residential plot in a high-grade restricted suburban addition, purchased in 1909, with "all improvements in." With the bursting of the boom on in that locality, this and much other property in the immediate neighborhood was still in the hands of original speculative buyers. The plot is still owned by the original buyer, who now has an investment totaling as follows:

| | |
|---|---|
| Original cost | $5,250 |
| New street pavement | 380 |
| District sewer assessments | 135 |
| Assessment for opening new streets | 340 |
| Taxes | 564 |
| Interest and other charges paid city on above item | 504 |
| Interest actually paid, cash | 2,800 |
| Interest at 6% on money invested | 1,050 |
| Total | $10,033 |

Similar properties in the vicinity are priced at $4,500 today and could probably be bought for considerably less, and the owner of this plot would be very glad to sell at less than the original cost if an offer could be secured, though the district has not been affected by any undesirable features entering or encroaching.

Compare this transaction with the result had the same money been invested in good sound bonds or preferred stocks:

| | |
|---|---|
| Original investment | $5,250 |
| Additional investments from time to time which were expended on property | 3,733 |
| Interest at average 5% received on bonds, reinvested annually | 4,894 |
| Total present value | $12,877 |

In other words, instead of an unsalable property which is a constant expense and with no earning power, which he could not sell today for $4,500, he would have stocks and bonds which are income producers and which he could sell on an hour's notice for nearly three times that amount.

Does not this suggest that, considering the risks involved, the purchase of unimproved real estate with the idea of reselling at a profit cannot be considered in the light of "investment," but must be classed purely as speculation, and from the standpoint of "building your fortune" can hardly be recommended to the layman who has his fortune to build.

# Practical Accounting System for Farmers

## A Workable Plan Which Tells the Farmer the Result of His Efforts

***By* JAMES B. MORMAN, Assistant Secretary, Federal Farm Loan Board**

A FARM is both a home and a business. A thrifty housekeeper knows that keeping accounts prevents unnecessary waste; a practical business man who does so profits by so doing. A farmer is both a housekeeper and a business man.

The writer knows from experience that a simple and easily kept system of accounts for the farm is possible—one which may be modified to suit the needs of different types of farming. For, after all, cattle raising, dairying, crop production, fruit and nut growing, trucking and gardening involve the same problems and much the same principles. The inventory should show the amount invested in land, buildings, implements, improvements and live stock; then there are the items of expenses for the year—labor, feed, fertilizer, interest, taxes, insurance and depreciation; and, lastly, the income itemized on the ledger and compared with the expenditures. These are the general factors which tell the farmer the whole story of his year's labor and reward.

### Two Essentials of Accounting

It being admitted that farm bookkeeping is valuable, the two essentials are simplicity and accuracy. After working all day in the field during the rush of the planting or harvesting season, a farmer is usually too tired to be harassed by an intricate accounting system. In fact, it is not necessary. Like all men who do hard physical labor, the farmer has a natural aversion to detailed accounts, but may become interested in a plan which simply yet accurately sets forth the farm's expenses and earnings. In fact, he ought to know this.

That a farmer's bookeeping should be accurate needs no elaboration. Without this element the accounts would be worthless. The sole purpose of keeping accounts is to have the farm report to its operator what it is costing and returning. It must be equally apparent to anyone at all familiar with actual every-day farm conditions that the accounts should be simple and free from detail. Hence the writer recommends the use of one book only. This is called the "Farm Ledger."

But what goes into this ledger will depend upon the type of farming and also upon the farmer himself. It is better to begin a simple account and keep it accurately than to attempt an elaborate system and neglect it in the busy times of the year.

For most men on general farms a bound ledger is desirable because it can be bought reasonably and is easily handled. But on farms devoted to the breeding of live stock, or where individual records of dairy cows are desired, a card index or loose-leaf system may suit the farmer best. In most cases, however, a bound ledger is to be preferred for records and accounts. If rightly kept a single ledger will answer every purpose.

### Keeping the Accounts

For farmers it is a good practice to enter all transactions in the ledger as they occur, because such transactions are not numerous as a rule. But when shall a farmer begin his bookkeeping? In commercial business January 1 is usually selected. On the farm, however, especially in the northern half of the United States, less stock and produce are on hand in the spring than at any other time of the year. Hence March or April is usually chosen for opening and closing a ledger account. Any month will do, but should be decided by the farmer himself according to location, type of farming, and system of farm management. By allowing two or four pages for each month's cash account, according to the extent of one's prospective business, the farmer is ready to start his ledger.

1. *The Inventory.* In accounting no farmer should forget the importance of the inventory. Before books are opened the value of everything on the farm should be estimated as accurately as possible. This estimate should include the present value of land, improvements, live stock, implements, supplies and products on hand. Set down the values the items would be likely to bring if sold on the open market.

2. *Daily Transactions.* On the debit or left side of the ledger enter what comes on to the farm—that which costs money or value; the purchase of materials, live stock, or anything used to increase the farm's products. On the credit or right side of the ledger enter what goes off the farm or what brings in money or value. It is advisable, therefore, for the farmer to memorize the bookkeeping phrases: "Always debit what you receive" and "always credit what you dispose of."

**ANNUAL STATEMENT, MARCH 31, 1920**

| Resources | | Liabilities | |
|---|---|---|---|
| Cash on hand | $ 124.56 | Bills payable | $4,056.87 |
| Value of property | 13,560.00 | Present worth of owner | 14,855.46 |
| Production | 4,154.55 | | |
| Feed on hand | 104.00 | | |
| Implements | 756.00 | | |
| Account in bank | 213.22 | | |
| | $18,912.33 | | $18,912.33 |
| **Losses** | | **Gains** | |
| Expenses (general) | $ 427.45 | Production | $4,154.55 |
| Feed | 472.90 | | |
| Implements (depreciation) | 75.60 | | |
| Hired Labor | 842.30 | | |
| Interest | 240.00 | | |
| Taxes and insurance | 102.02 | | |
| Net gain of owner | 1,993.88 | | |
| | $4,154.55 | | $4,154.55 |

3. *Household Account.* Strictly speaking, the "household" account as such has no place in the farm ledger. But much of the produce consumed comes directly out of the garden or off the farm, so that their value should be included in the farm's earnings. A farm owes its owner something, so it is advisable to open a "personal" account, charging to it all money or produce taken from the farm's earnings for one's own or household use.

This plan keeps the details of a household account out of the farm ledger, but covers all legitimate credits to which the farm as a home and a business are justly entitled.

4. *Poultry Account.* On most farms poultry has been much neglected as a source of income. Where only a few fowls are kept, the proceeds are usually regarded as the wife's to use as she sees fit. Eggs and poultry are usually consumed on the home table and may properly go in the household account. But where poultry keeping is made a specialty on the farm, or where a few hundred fowls are kept, they may be made a very profitable source of income.

For thirteen years the writer kept strict account of the returns from his poultry and found that they brought in on an average a net profit of more than $2 per hen a year. Therefore, where the sale of eggs and poultry from the farm amounts to a material item, it should be entered the same as returns from the sale of hogs, sheep or cattle. I found it convenient to keep a separate book in which to enter a daily record of eggs laid, poultry used an the table or sold, the cost of feed and accessories, and other necessary data which proved valuable for reference from year to year. Entries an the ledger may be made once a month. This will simplify the main accounting system.

### Net Worth and Annual Income

For the practical farmer the foregoing outline will be sufficient to serve his purpose. Probably no two farmers would keep their books alike, so that what goes into a ledger will depend upon the farmer himself. Entries, however, relate to two things only, namely, (1) the value of the farm, and (2) the gains or losses from its operation.

In the first instance a farmer is able to determine his net worth after deducting any liabilities against the farm. By means of the second set of entries he is able to learn whether the farm is paying interest on the investment and satisfactory wages. Bookkeeping on the farm, therefore, is indirectly a very important method of preserving a proper balance between capital and labor, the two fundamental interests involved in cultivation of the land. These relations may be shown clearly by an annual statement a farm owner would make from his ledger entries similar to those in the accompanying model.

The books are in balance. A glance at this simple statement made from the ledger shows the farmer what cash he has on hand and in bank, how much the farm is worth to him, and the value of grain, live stock, implements, feed, or anything else on hand; also, it shows him what he owes and his actual net worth.

The loss and gain account reveals the total general expenses, amount paid for feed, depreciation of farm implements (usually reckoned at 10 per cent), and amounts paid in wages, interest, taxes and insurance. The total amounts to $2.160.67, and the items are entered under "losses" because no cash can be realized on them.

But under "gains" we have what the operation of the farm has produced during the year amounting to $4,154.55. The

**COSTS ARE WORTH KNOWING**

**What does this construction work cost the farmer? Without some sort of accounting plan he will not be able to get the most efficient results from his enterprise**

cost of operation was $2,160.67, which, on deduction from the total income, shows a net gain to the owner ot $1,993 88 for the year.

The annual statement, then, makes known to every practical farmer the financial results of a year's business. It forms a valuable guide from year to year and, by strengthening the weak places in farm management, a farmer tends to increase production in the industry which is of such vital importance to our national welfare.

### A Few General Pointers

Though books can be kept without red ink to balance accounts, most bookkeepers continue to use it. On footing up entries in black, suppose it is found that the debit side amounts to $327 more than the credit side; that is, the farmer has that amount on hand. If it is the end of the month and he wishes to close the account, he writes on the credit side in red ink—"Balance, $327."

When the farmer does this, whether weekly, monthly, or yearly, he really agrees to enter on the debit side of a new account in black ink the above "Balance, $327." This he does every time he balances his cash account. Therefore, all red ink entries are either brought down or carried forward to the opposite page of the ledger in black ink.

In the making of an inventory, the prices paid for various goods may have been forgotten. It is advisable, then, to have a place for filing business papers and correspondence. The writer uses a transfer case with index which is not costly and serves every purpose. In it are filed for ready reference all letters, cancelled checks, receipts, freight bills and all other papers relating to accounts. Farmers should put everything in writing and not trust to their memory.

When a farmer is away from home someone should be designated to keep account of sales and purchases in his absence. On returning home the proper entries can be made on the cash account for the day and month in which any transactions occurred, and also may be properly entered in the ledger.

Finally, let me encourage farmers to keep books by quoting the late Hon. James Wilson, who for 16 years served as Secretary of Agriculture: "I would not impose on a busy farmer the keeping of an elaborate set of books, but some simple form of accounts will be a great aid in successful farming."

Such a system I have endeavored to outline in this article.

# Opportunity!

By H. L. Kramer.

You cannot find it in the *past.* You cannot grasp it by *wishing* big things to come your way.

Opportunity, friend, is *action.* It is the eternal twinkle of the stars; it is the warm kiss of the sun. It is the *power* to express life—and *live.*

Doing it now *nails* the opportunity. When you *feel* the call—know it is right—then *do it!* All of the *big* things of today were the little things of yesterday, and the day before they were opportunities.

Opportunity is eternal as Time—it is with you every clock tick—it depends upon your *action*—your power to take it when offered, to make it *your* opportunity. *Opportunity*—minus action—has worried many a good man into an early grave.

"Confidence is a plant of slow growth in an aged bosom."—William Pitt.

"We who listen with credulity to the whispers of fancy, and pursue with eagerness the phantoms of hope; who expect that age will perform the promise of youth, and that the deficiencies of the present day will be supplied by the morrow—attend to the history of Rasselas, Prince of Abyssinia."—Samuel Johnson.

# Prospects for American Telephone & Telegraph

## Premier Public Utility Prepares for Expansion—Telephone Goes Through the War Unharmed —American Tel. & Tel. and the Bell System—Financial Position Strongest in Company's History—The Outlook

*By* MAX GOLDSTEIN

TO be a public utility in these troublous times of advancing costs and relatively stationary rates, that is not only making money but actually increasing earnings, building up a strong reserve, and not skimping maintenance and depreciation charges—this is the rather unique distinction of the American Telephone and Telegraph Company. In the year just past the company made the best financial showing in its history.

How the company was able to do it is a long and complicated story, but unprecedented volume of business, equipment in first-class shape because of the conservative policy of previous years, increases in rates, and efficient operating methods each played their part. The one great obstacle that the company has had to face has been the depletion of reserve facilities for new installations and the difficulty under present conditions of replacing them, leading to a congestion of orders and an increase in the time required to fill them.

**Relations of A. T. & T. and the Bell System**

The old Bell Company, which originally handled the telephone business of the country, used to operate through companies to whom it rented or leased the instruments on a fixed rental basis. Operating methods varied with each company, and there was no unity of financial or administrative policy. The inefficiency of such a system soon became obvious, and the relations of the American Telephone and Telegraph Company with the Bell system are substantially as follows:

American Telephone is the administratice and financial head, determining broad policies, owning the patents, initiating general improvements in service. It controls its subsidiaries by stock ownership, and obtains from them dividends which, with its own operations and other income, cover its own dividend payments and permit of a reserve fund besides. In addition, A. T. & T. operates a large amount of telephone plant for its own account. Its policy with regard to subsidiaries, as stated by an official of the company, has been that they keep a proportion of their earnings, with a view to providing for their own needs and keeping them in good physical and financial condition.

As a result of the fiscal policy of the American Company, computations made over a period of years show that a return of less than 5 per cent on the capital actually invested in the business would be more than sufficient to allow American Telephone & Telegraph to continue its 8 per cent dividend rate.

**The Bell Service**

The extent of the Bell system, which is controlled by A. T. & T., is shown in the annual report of the company as of December 31, 1918. It is stated there that of the 12,004,325 telephone stations in the United States, 7,201,757 were owned by Bell companies and 3,790,568 by independent companies or associations having sublicense or connection contracts with the Bell system.

The total mileage of wire of the Bell companies, excluding the connecting companies, was 23,281,150 miles, of which 870,663 had been added during the year. During the year it was estimated that the company handled 100 calls approximately for every man, woman and child in the United States.

As shown by the attached figures, the earnings of the system have remained fairly constant in dollars per share, though the capitalization and the funded debt have been increased from time to time. The ratio of bonds to stock outstanding is unusually low for a public utility, and has contributed largely to the stability of earnings per share.

The expenditures for plant additions herewith shown indicate that substantial asset values are being steadily built up behind the stock. During the last nineteen years $992,571,000 have been added to the plant, which is more than the present outstanding funded debt and stock capital of A. T. & T. In fact, the latest available balance-sheet for the company and its subsidiaries, dated December 31, 1917, shows an asset value for A. T & T. stock of over $160 a share, and undoubtedly this amount has been increased considerably since then, particularly in view of the expansion necessitated by war work. Taking only the additions to plant given by the company for 1917 and 1918, at least $44 have been added to the values back of the stock.

The item of "Special Demand Notes" in the company's balance-sheet has come in for a good deal of uninformed criticism. It represents advances made from time to time to the Atlantic & Pacific T. & T. Company, a subsidiary of American T. & T., which acts as a holding company for the securities of companies whose assets are being taken over by the Bell System (and are in process of distribution among the various companies), or are being reorganized into a separate company. All such mergers and consolidations have the approval of the Department of Justice, and of local state and municipal commissions as well.

Another item of apparent mystery is that called "real estate" in the balance-sheet, which consists of one building in Indianapolis, Ind. This was built by the American Company for one of its subsidiaries, some years ago, and is the only item of the sort carried independently. All other real estate operations are including in the items of plant and property or securities. This will serve to

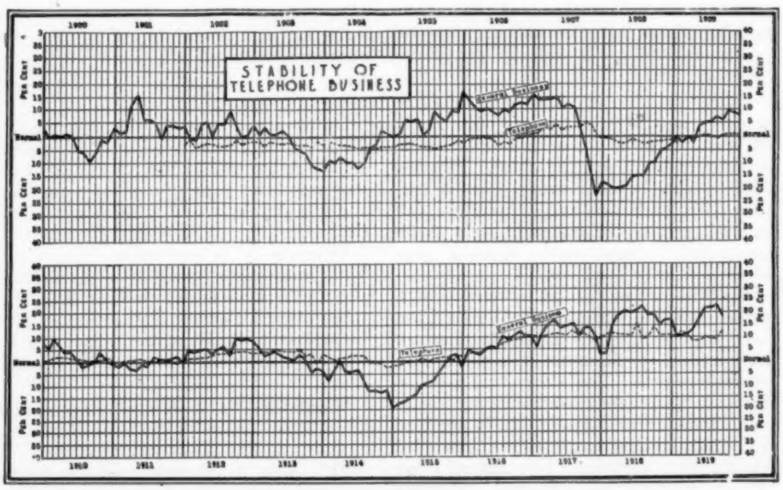



**Chart prepared by the American Telephone & Telegraph Company, showing how telephone business has remained fairly constant in spite of fluctuations in the general level of business prosperity. The effects of price inflation have been avoided by figuring telephone business by volume instead of earnings, and the general level of prosperity is a composite figure including pig-iron production, export balance in tonnage and many other items, with the element of price inflation eliminated. The solid line represents general business.**

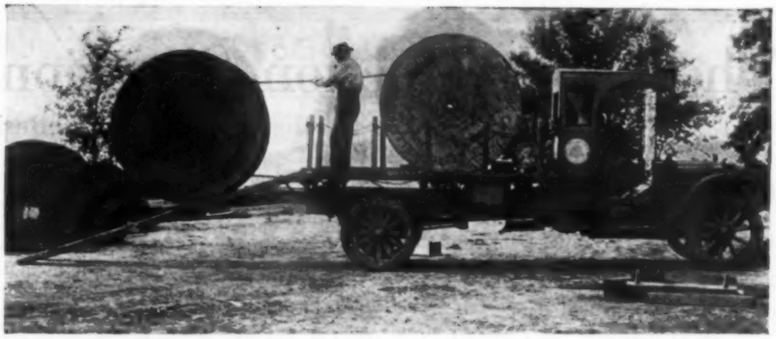


*Photo from Underwood & Underwood, N. Y.*

**UNLOADING TELEPHONE CABLES**

**Total mileage of wire operated by the Bell Companies in 1918 was 23,281,150 miles. Over this enormous system it is estimated that the company handled 100 calls for every man, woman and child in the country**

explain the unusual stability of the "real estate" item on the American Company's balance-sheet for a number of years back.

### Hidden Strength of A. T. & T.

A large part of the strength of American Telephone lies in its "hidden assets," maintenance and its large depreciation expenditures, the heavy reserves which it has built up, and the good operating condition of its plant. Attention must be called here to the difference between the reserves of the American Company, strictly speaking, and those credited to the Bell system. In accordance with the policy referred to above, of taking from the subsidiary companies in dividends less than the dividend requirements of the A. T. & T. Company, the individual associated companies have built up for themselves large surpluses and reserves, whose present condition can only be guessed at. The latest available balance-sheet for the Bell system as a whole at the time of writing is for the year ending December 31, 1917. During 1918 and 1919 financial and accounting requirements in connection with the Government assumption of the wires made it impossible to bring these figures down to date, and nothing can be known as to changes in the balance-sheet in these respects until the annual report is issued.

It may be surmised, of course, that some improvement has taken place, in view of the increased telephone traffic and the improved showing of the parent company for 1919. The plan of the Government in assigning its compensation was to hand over in a lump sum to the A. T. & T. the amount fixed, leaving it to the latter to apportion it among its subsidiaries, and to adjust the amount due to the parent company for dividends and the amounts to be turned over to the various companies for their corporate uses. All these adjustments have not been reported as yet, but it can be said unofficially that the dividend rate as paid by the associated companies to the American Company has not been materially changed since 1917.

Table I—American Telephone and Telegraph Story.
"Growth of American Telephone."

| Earned per Share | | Capital Stock | Funded Debt | Additions to Plant |
|---|---|---|---|---|
| 1912 | 9.86 | $334,806,378 | $159,989,900 | $75,626,900 |
| 1913 | 9.59 | 344,616,300 | 197,896,000 | 54,871,900 |
| 1914 | 9.38 | 344,681,900 | 177,116,346 | 50,045,300 |
| 1915 | 9.52 | 380,477,100 | 124,355,050 | 32,863,700 |
| 1916 | 9.77 | 395,635,619 | 202,157,100 | 66,224,700 |
| 1917 | 9.48 | 435,658,725 | 190,753,300 | 118,599,500 |
| 1918 | 9.97 | 441,947,338 | 230,335,024 | 77,922,600 |
| 1919 | 10.04 | 441,947,338 | 280,335,024 | —— |

### Effects of Federal Control

The American Telegraph & Telephone Company, with its properties, was taken over by the Government on July 31, 1918, under the direction of Postmaster-General Burleson. Exactly a year later the wires were returned, compensation for the year having been set at about $65,148,641. It is stated on good authority that the wires were in as good condition when returned as when taken over.

In the meantime, rates had been raised, and originally these rate increases were to be good for four months after the restoration of the wires to private hands. At the expiration of that time, the company asked to have the rates kept up, and is arguing the cases involved before some public service regulatory bodies, most of them having already granted the increases asked.

In New York City the situation is complicated by the fact that the P. S. C. has compelled the N. Y. Telephone Company, a subsidiary, to reduce rates by 8 per cent throughout the city, while operating expenses due to labor costs have been going up. As a result rates for New York State outside of the city limits have been raised.

### Company Finances

At the present time the company has outstanding a total bonded debt of $229,434,900, and $90,000,000 in notes, of which $50,000,000 were issued in October of 1919, due in 1922, and paying 6 per cent.

Table II—American Telephone
Growth in Surplus of Bell System.

| | |
|---|---|
| 1912 | $164,236,864 |
| 1913 | 174,497,695 |
| 1914 | 189,955,149 |
| 1915 | 223,401,663 |
| 1916 | 262,005,159 |
| 1917 | 303,525,651 |

The issue was to provide more working capital, and to furnish funds for expansion. In this connection it must be noticed that the total volume of business being done by the company is abnormally large, and with prosperity at all general, should continue for some time longer. The telephone has come to be regarded as one of the constituents of the higher standard of living towards which the American workingman is striving, and as indicated above, most of the telephone business in this country is being done by the American Tel. & Tel. and its subsidiaries and connecting companies.

A tentative report of earnings of American Telephone for the year ending December 31, 1919, which is subject to only minor changes, shows net earnings after interest of $44,377,865, or over $10 a share, which left after dividend payments a balance for surplus and reserves of $9,021,531, which is the largest yearly addition to profit and loss surplus in the company's history.

The financing of the Bell system in the past has largely been through the issue of both stocks and bonds of American Telephone & Telegraph in about the ratio of 2 to 1, roughly speaking. Most of the funded debt has been in the form of convertible bonds, and more recently in short-term notes, both of which forms of financing tend to be wiped out easily. Practically all of the older convertible bonds have been exchanged for stock, and at a premium for the stock, but in the present distressed state of public utility securities these privileges have little immediate value. This may account for the recent preference for short-term financing by the company.

Of the numerous bond issues, the collateral trust 4s and 5s, selling to yield about 6.50, are high-grade investments, whose yield is fairly high considering that interest charges have been earned on an average of 5½ times annually for the past ten years, and also in view of the huge asset values behind them. The convertible 6s, due 1925 and selling at about 98¾, to yield some 6.3 per cent, have interesting possibilities, as they are convertible at 106, considerably above which price the stock has normally sold in the past.

The stock has been paying 8 per cent dividends since 1907. There are $441,956,500 of it outstanding out of an authorization of $500,000,000. At late price of 96 it yields well over 8 per cent, and is a good business man's investment. Vol. 25, p. 257.

# The N. Y. Traction Situation Down to Date

## Position of the Bondholders—Gross Business Large

ONE of the critical points in the New York traction situation was passed on January 1st when the Interborough Rapid Transit Company succeeded, after no little effort, in getting together sufficient cash to meet the heavy obligations due on that date.

About $6,600,000 was required to meet interest payments and the rentals of the Manhattan Railway. With only about half this sum on hand, the company was uncertain, right up to the due date, as to whether or not it would be able to raise the balance.

The Interborough Consolidated Corporation, itself a bankrupt, lent $1,000,000. Through the sale of a $450,000 mortgage on Brooklyn real estate, and of $2,900,000 six months 7% notes, to friendly interests, the road was enabled to escape receivership, but the margin was entirely too close for comfort.

The refunding 5% bonds rallied to about 60 on this news, but the spurt lacked permanence and the quotation has again slipped back a few points. At about 55, however, it is still 11 points better than the low record.

The investor is obviously still uncertain whether the turn in the company's affairs will come in the ensuing six months, or whether there has merely been a postponement of the crash. At any rate, a period of six months' grace has been obtained and a great deal may happen in that period.

There has been an improvement in the company's net earnings and traffic has recently been far in excess of anything heretofore recorded, as shown by the table of monthly earnings herewith.

The progress made since mid-summer is very marked, but there is little ground for any expectation that it will continue to such an extent that charges can be earned with a five cent fare. There is probably little more in the way of effecting economies that can be done and it is doubtful if maintenance expenditures for October and November were on a scale which could be continued indefinitely without deterioration of the property.

There are still some increases to be made in fixed charges, moreover, for the reason that interest on bonds issued to provide funds for the construction of lines still uncompleted constitutes a charge against cost of construction rather than against current income. Charges in November were at the annual rate of about $19,800,000, whereas full charges will be about $21,450,000. The opening of the new lines will bring some additional revenue, but it is hardly to be expected that it will at once suffice to meet the charges involved. The relative status of Manhattan Elevated and of Interborough securities is in no wise altered, of course, by recent events and the relations of the two corporations make up one of the many angles of the situation whose future is still uncertain.

**Temporary Relief Sought**

Notwithstanding the difficulty of obtaining co-operation from the city administration, matters are not entirely quiescent. Judge Mayer has brought forth a proposal that the companies petition for an eight cent fare under an agreement whereby the New York Railways Co. and the Brooklyn Rapid Transit Co. are to pay underlying bond interest only and the Interborough Rapid Transit Co. is to pay full interest and leasehold obligations, with the court having control over any balance.

The duration of this arrangement is until June 30th, 1920, the purpose being to prevent further disintegration of the systems pending the adoption of some permanent solution. The companies have submitted pleas along these lines to the Board of Estimate. The attitude of this body in the past would hardly make one over-sanguine as to the prospect for its approval. Somewhat encouraging, however, is the fact that the Board has ordered an investigation of the traction situation. Even though the raise were pared down to seven cents, the rapid transit lines would be put squarely on their feet and the status of the surface lines would be materially improved. Another source of hope is the recently convened state legislature, which is expected to give some attention to constructive proposals.

A permanent solution of the traction problem will almost certainly take considerable time. In the first place, an official valuation is quite sure to play a part in any plan apt to be adopted. This alone will call for a gradual adjustment of conflicting claims, as a sequel to the compilation of the estimates of the interested parties.

The valuation of the subway properties should be the easiest of any because of their recent construction and the absence of changes of ownership, reorganizations, etc. But establishing the original cost, if required, of the old surface lines is certain to be a lengthy affair.

The adoption of a cost of service plan under a sliding scale of fares, or of municipal ownership, or of some other scheme, will call for deliberation and negotiation.

It is hard to escape the conclusion that some time must elapse before New York traction securities can become stabilized. There is still the chance, however, that some form of temporary relief will be granted and, in that event, higher quotations ought to prevail.

Interborough issues are still at prices which practically discount receivership and it appears that they should be held, except perhaps in the case of those who have a speculative profit resulting from purchases on the dip to the low points.

The most attractive issue for anyone contemplating the purchase of any of the securities in this group is the 7% secured notes, due in 1921 and now about 74, and the question of selling the refunding 5s and replacing them with the notes is still well worth considering, for reasons brought out more fully in recent articles in this magazine.

**N. Y. Railways Co.**

There have been no recent events of importance in the affairs of the New York Railways Co., other than general matters noted in preceding paragraphs. Monthly statements of earnings have been discontinued, but if we may judge by those of the Third Avenue Railways Co., (which by the way is still an eminently solvent concern) gross revenues are running at a good rate. Any gain in traffic can be but a flea bite in the face of the increase in operating costs of the surface roads, however. According to the Stone and Webster estimates, an eight cent fare will fall a trifle short of meeting full fixed charges. Even though these figures be regarded as over-pessimistic, it seems reasonable to suppose that nothing less than eight cents can fully suffice.

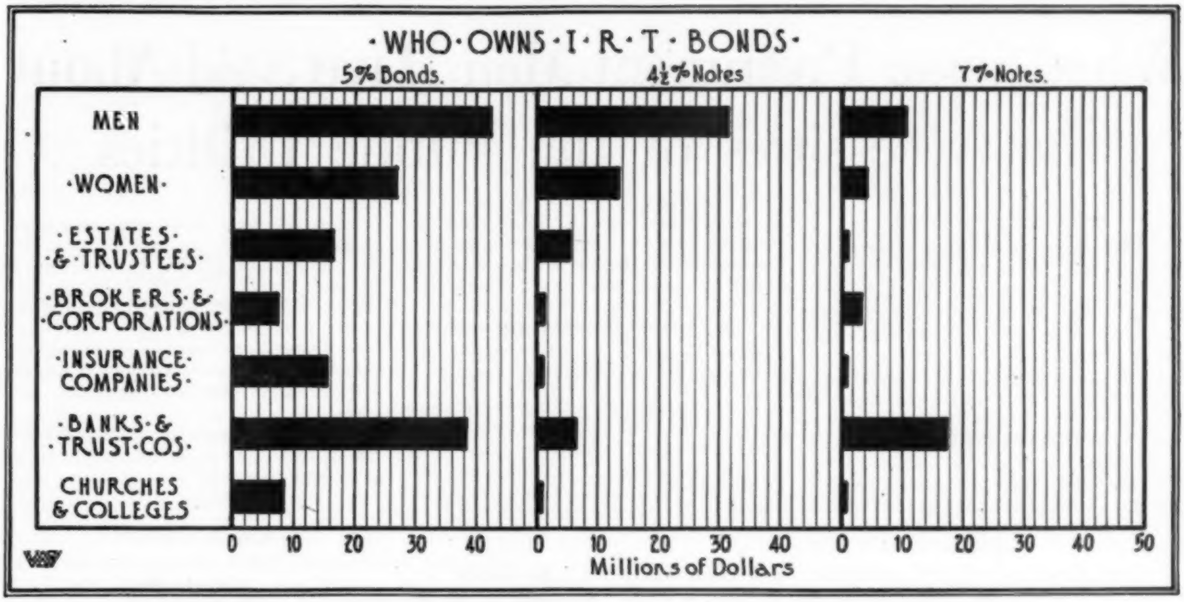
Regardless of the future of this system as a means of transportation, there are values behind the bonds, based upon real estate and scrap alone, which it is believed justifies present market values.

There is also this to be considered: Default and foreclosure of the various mortgages would mean the setting up of independent systems with no transfer privileges between them. Some gain in revenues would result and the necessity of paying ten or fifteen cents for a trip involving change of cars would constitute a strong public argument for re-consolidation into a single system on some reasonable basis.

The separation, some weeks ago, of several of the subsidiaries from the parent system is evidence of the entire possibility of such a general development.

(*Continued on Page* 398.)

| | Gross Revenues | Total Income | Deficit After Charges |
|---|---|---|---|
| June, 1919 | $3,913,014 | $1,434,375 | $198,765 |
| July | 3,639,387 | 1,236,934 | 406,509 |
| August | 3,482,685 | 1,031,035 | 632,976 |
| September | 3,842,199 | 1,159,433 | 484,722 |
| October | 4,280,838 | 1,436,260 | 218,763 |
| November | 4,286,850 | 1,498,008 | 155,226 |




# Who Owns I. R. T. Bonds?

WITH the Interboro Rapid Transit wondering where the money is to come from to pay its wages, it is of interest to see who owns the company. As matters stand now, the real owners may be said to be the bondholders, since the stocks are almost valueless.

Figures have recently been given out showing the ownership of nearly all of these bonds by classes of investors. These figures are here reproduced in graphic form.

Individual investors take the lead. Men and women combined own $69,000,000 of the 5% bonds, $45,000,000 of the 4½% notes, and $15,000,000 of the 7% notes. A great part of these are in the hands of persons of moderate means.

Estates, trustees, brokers and corporations have relatively small holdings. Insurance companies have over $15,000,000 of the 5s, but only small amounts of the notes.

Banks and trust companies have, altogether, about half as many of these securities as individual investors, and churches and colleges have considerable holdings of the 5% bonds.

The idea that the Interboro is owned by "the interests" is evidently a mistake. Its securities are widely distributed among all kinds of holders. If the company is forced into receivership through inability to raise its fares to correspond with the increase in wages and costs, that will simply mean that all of us, the public in general, are taking advantage of a part of us, the owners of these bonds. Whatever may have been the past sins of the company—are they not a few?—they afford no legitimate reason why we, the public, by refusal to pay an extra two or three cents carfare, should bring disaster to these thousands of innocent investors.—V. 25, Pg. 257.

SUBWAY CARS PARKED IN THE BRONX

**At the Present Time the Real Owners of the Wonderful Interboro System May Be Said to Be the Bondholders, as the Stocks Have Little Value. Many of These Bondholders Are People of Small Means**

# What Some Prominent Men Have Said About the Necessities of the Public Utilities

**WILLIAM G. McADOO**
**When Secretary of the Treasury:**

(From a letter to President Wilson.) "I earnestly hope that you may feel justified in expressing the conviction that the vital part which the public utilities companies represent in the life . . . of the nation ought to receive fair and just recognition by state and local authorities."

**PRESIDENT WILSON**

(In reply to Secretary McAdoo.) "I fully share the views you express regarding the importance of the public service utilities as a part of our national equipment.

"I hope that state and local authorities will . . . respond promptly to the necessities of the situation."

**PROF. IRVING FISHER**
**of Yale University:**

"The purchasing power of the dollar is about one-half what it was before the war.

"The failure of trolley fares to correspond with other prices is one of the most conspicuous examples of the havoc played by the depreciation of the dollar."

**JOHN SKELTON WILLIAMS**
**U. S. Comptroller of the Currency:**

"Many thousands of large and small investors have suffered seriously from the decline of the earning capacity of public utility corporations and the consequent shrinkage in the value of the securities representing investments of many hundred million dollars.

"The breaking down of those corporations would be a national calamity."

**WILLIAM H. TAFT**
**Ex-President of the United States:**

"This is not a question turning on the history of the relations of local street railways and the municipalities in which they operate. The increase in fare must be given because of the imminent pressure for more money receipts now to keep the street railroads running."

**SAMUEL INSULL**
**Chairman Executive Committee, Chicago Elevated Railways:**

"Your Commission can perform a signal service to the nation by bringing to the attention of the public the present deplorable conditions and recommending immediate relief—such increase of fares as will prevent the ruin of this necessary public utility."

**THOMAS A. EDISON**

"The electric railway industry has reached a serious stage. No more capital can be obtained except in special cases.

"The municipalities can exact their pound of flesh if they so desire, with the ultimate bankruptcy of their organizations but the spirit now abroad in the world is against this."

**FRANK J. SPRAGUE**
**Famous Electrical Engineer—Builder of the First Electric Railway in America: .**

"The people want efficient operation and a very high character of service from them all.

"They cannot get it if capital will not invest the money. There must be a fair return. If costs go up, the price must go up."

**PROF. CHARLES J. BULLOCK**
**of Harvard, Former President of the National Tax Association:**

"The crisis that faces the electric railways is urgent.

"Along with other measures of relief, a substantial reduction should be made in the taxes they are required to pay."

**MORTIMER E. COOLEY**
**Noted Engineer, Dean of the University of Michigan:**

"I recommend that the street railways be given the right to charge fares that would permit them to meet their operating expenses, keep up their service and maintain their properties intact.

"You've got to do it now."

**RICHARD T. HIGGINS**
**Chairman of the Public Utilities Commission of Connecticut:**

"The condition in which the American street railways find themselves is exceedingly serious.

"Immediate and substantial relief must come primarily from the states or municipalities and should involve a material increase of rates and a reduction or suspension of taxes and other municipal obligations."

**LEWIS NIXON**
**Public Service Commissioner, First District of New York:**

"In New York we now carry passengers 20 miles or more for 5 cents against a much higher charge by the steam railways.

"The prime reason for all the difficulties in New York is the increased cost of labor and materials."

**WM. B. DAINEY**
**Chairman Public Service Commission of Pennsylvania:**

"If the public are to be adequately served, railways must be permitted to earn revenues large enough to pay operating costs, to maintain the property and to provide a fair return.

"Without adequate service the economic, social and industrial life is seriously affected if not paralyzed."

**W. C. BLISS**
**Chairman of the Rhode Island Public Utilities Commission:**

"I believe the public is reasonable if it can get the facts fairly presented.

"I think the public are not permitted to get the simple facts and until people in public position and the press are willing to state the facts, the solution will be delayed."

**HURLEY'S OPINION**
**Former Chairman of the U. S. Shipping Board:**

"Adequate and efficient electric railway facilities are just as essential to the development and prosperity of our communities as the transcontinental lines."

## The New York Traction Situation

*(Continued from Page 396.)*

**The Brooklyn Lines**

In Brooklyn, the Brooklyn City Railroad, one of the two major surface lines, is run as a separate road and much the same conditions prevail on that side of the river as with the New York Railways, except that here the Stone and Webster estimates indicate that practically full interest on securities in the hands of the public can be earned with a seven cent fare. The rapid transit lines are also situated about as are those of Manhattan. In both boroughs, the securities based upon rapid transit facilities leave a better outlook than those based upon surface properties, for the latter cannot operate at as low a ratio no matter what fare 's fixed.

Taking the situation as a whole, the investor naturally regards it in a pretty drab light as he finds his securities quoted at one half, or less, of former market values. There is every reason to expect, however, that something constructive will be done. A starved utility can not function efficiently for long. The deterioration of the service, inevitable unless relief is forthcoming promptly, is a factor which may go a long way towards forcing the city administration to recede.

# Utah's Position Among the Coppers

## Results of Last Year Reviewed—Utah's Growth—Its Modest Capitalization—Movements of the Stock

*By* W. L. RANDOLPH

IN common with the holders of other copper securities, the stockholders of Utah Copper have just passed through a trying period. Even the greatest of the great porphyry copper producers was not spared in 1919 and suffered with its brethren.

The first quarter of 1919, when copper seemed unsalable at any price, a deficit of about $13,000 was shown from operations. This period was perhaps the worst in the company's history; even after the inclusion of "other income" and the dividend from Utah's holdings of Nevada Consolidated stock, the total net profit equalled but $481,324, leaving a deficit after the disbursement of the $1.50 quarterly dividend of $1,955,410.

For the three months ended June 30, during which production still continued at 50 per cent. of normal, the company did somewhat better, obtaining a profit of $2,652,103 which covered the dividend distribution for the quarter with a small excess of $215,368. During this period, the average cost per pound of copper declined. However, it was only by the inclusion of an unusually large sum representing other income — $1,233,158 — that Utah was able to show a surplus over dividend requirements, of $2,436,735. When the government agreed to raise the price of copper in July, 1918, it was understood that the mining companies were to pay a part of the advance to the Smelting Company; it appears that Utah had over-estimated its treatment tolls and an adjustment was accordingly made.

The third quarter witnessed a further decrease in production, but an increased demand for copper resulted in a growth in the net profit from copper production to $1,762,500 from $837,427 in the previous quarter. But with miscellaneous income more nearly normal, another deficit was recorded, amounting to $17,223. Costs, because of smaller production and a wage increase effective from the middle of July, rose to over 14.8 cents a pound.

The report for the fourth quarter has not yet been made public. The appearance of a greater demand for the red metal may have made it possible for the company to meet the $2,436,735 required for the dividend declared early in December, a declaration which caused considerable surprise in some quarters. At any rate, the net deficit for 1919 was probably around $2,500,000. In other words, last year saw the maintenance of the $6 annual dividend rate established in March at the expense of an appreciable dip into the company's accumulated surplus.

**Remarkable Growth Since 1909**

Utah's remarkable growth in the period between 1909 and 1918 accounts for the company's ability to continue the payment of a comparatively large dividend in the face of difficult conditions. The balance available for dividends in 1909 amounted to less than $2,155,000; yet it grew literally by leaps and bounds to $18,945,779 in 1918. The net working capital increased from $1,240,928 to $28,902,071 in the decade, the latter figure equalling more than $17.55 on the 1,624,490 shares outstanding.

By Dec. 31, 1918, Utah had accumulated an enormous earned surplus of $50,494,408 against $2,943,627 at the close of 1909. Out of earnings of over $92, the relatively small sum of $45 was turned back in concrete form to the stockholders, the remainder being used to increase the company's equipment, properties, and to build a financial structure which could weather a stormy period.

To judge Utah by last year's result is as illogical as to point to the bonanza earnings of the year 1916, when the net income attained $39,148,943, as a basis for one's calculations.

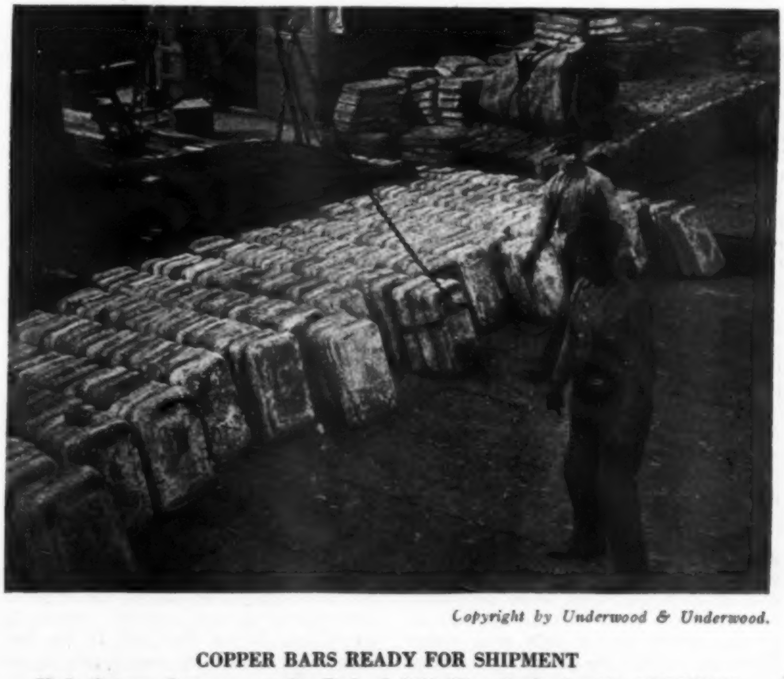
It is hardly necessary to state that the company's future is interlaced with the future demand for copper; not the demand which we usually speak of when we mean "need" but the economist's "demand," which denotes desire and ability to pay as well. Beginning around the twentieth of November large sales of copper have been reported. The foreign demand is also increasing noticeably and the copper surplus is being eaten into at a faster rate than for many months.

It is not our purpose to discuss the copper outlook here. Nevertheless, ref-

**TABLE I—UTAH'S GROWTH**

| | Net Income | Dividends | Total Surplus | Net Working Capital |
|---|---|---|---|---|
| 1909 | $2,154,742 | $1,464,388 | $2,943,627 | $1,240,928 |
| 1911 | 6,237,928 | 4,703,022 | 2,731,445 | 1,200,534 |
| 1913 | 8,005,303 | 4,747,710 | 9,708,653 | 3,415,902 |
| 1915 | 17,366,748 | 6,904,083 | 23,498,074 | 13,297,922 |
| 1916 | 39,148,943 | 19,493,880 | 43,153,137 | 30,146,312 |
| 1917 | 29,985,125 | *23,555,105 | 48,293,528 | 30,285,889 |
| 1918 | 18,945,770 | *16,244,900 | 50,494,408 | 28,512,816 |

*Including $2,842,857.50 ($1.75 per share) "capital distribution" in 1917; $3,655,102.50 ($2.25 per share) in 1918.



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**COPPER BARS READY FOR SHIPMENT**

**Utah Copper Company at the End of 1918 Was Credited with 6,672,900,000 Pounds of Recoverable Ore and the Mine Has An Estimated Life of 27 Years**

**ELECTROLYTIC REFINING OF COPPER**

**In Its Journey Through the Plant the Ore Reaches These Tanks, Containing Nitric Acid. When the Sheets Are Lowered Into the Tanks the Pure Copper Is Deposited on Them**

erence to the copper industry as a whole is necessary to determine the relative strength or weakness of Utah. Table II, showing the estimated per pound profit in the copper industry and of Utah Copper, affords an interesting basis from which to work.

**TABLE II—PROFIT PER POUND (Cents)**

| | Utah Copper | Copper Industry |
|---|---|---|
| 1918 | 6.5 | 7.4 |
| 1917 | 11.5 | 12.4 |
| 1916 | 17.3 | 17.1 |
| 1915 | 9.5 | 8.8 |
| 1914 | 4.4 | 4.5 |
| 1913 | 5.0 | 5.3 |
| 1912 | 5.8 | 6.9 |

Were one to base his conclusions regarding Utah entirely from an examination of this comparison he would be inclined to declare that Utah had made a fairly good showing and that it apparently is merely a representative copper issue. There is evidently nothing startling in these figures. Were the average cost of Utah's production stated after crediting miscellaneous earnings, as is done by a number of companies, a slightly better showing could be made. But the difference only averages about 1.5 cents.

Utah's ore reserves are estimated to contian 1.3 per cent. copper. This is low grade ore, even for a porphyry ore body. Chino's ore, for example, averages approximately 1.63 per cent., Inspiration the same, while Ray Consolidated's ore averages over 2 per cent. In fact, study of a list of seventeen porphyry producers shows an average grade of ore of about 1.4 per cent.

**Low Capitalization**

If Utah's ore is not exceptionally high grade, but on the contrary unusually low grade, and its per pound profit is not greater than the other large producers, how then can Utah maintain so high an earning power that it sells at a higher figure than any of the other coppers listed on the New York Stock Exchange?

Utah's comparatively low capitalization and large reserves furnish the reply. Few completely realize the importance of a company's capitalization. When it is glibly asserted that Y Company's earnings are immense, amounting to fully $1,000,000 annually—a bewildering sum to the man of moderate means—few stop to think and discover what this means for the individual shareholder.

To be more specific: If "A" company secures a profit of three cents a pound on its copper production of 1,500,000 pounds and has one share of stock outstanding for every 75 pounds of the metal "made," while "B" company's profit is but two and one-half cents on a like production, with one share for each 125 pounds produced, the stockholder of the latter corporation is the more fortunate one.

True, profits in the first case will be $45,000, compared with $37,500 for "B" company. But the earnings of the first corporation will be divided into 20,000 shares of equal interest, leaving per share profits of $2.25. On the other hand, "B" with only 12,000 shares outstanding against 20,000 on the part of "A" will show a profit of $3.12½ a share. Should the securities of this class sell on a basis of eight times their earning power, "A" stock would sell at $18 while the market value of "B" stock would be $25. When one remembers that in 1918 Utah's production per share was 121 pounds compared with 91 for Chino, 71 for Miami, 53 for Ray and only 38 for Nevada, one of the reasons for Utah's strength is uncovered.

Another source of Utah's power is revealed in its tremendous ore reserves. At the end of 1918 the approximate recoverable developed ore was 374,040,000 tons, the equivalent of the incomprehensible figure of 6,672,900,000 pounds of copper based on an average grade of 1.37 per cent ore. The life of the mine is estimated at around 27 years, against 22 for Chino, 24 for Ray and 15 for Nevada. The pounds of recoverable copper in the ore reserve on each share of outstanding stock are over 4,000 in the case of Utah, 2,290 for Chino, 1,700 for Ray and 724 for Nevada.

**Price Movement**

The year 1919 began with the entire market in the doldrums and Utah down to $65 a share for the first time since the autumn of 1915. A steady rise in sympathy with the rest of the market rather than because of any specific improvement in the copper trade followed. By June Utah was selling at $97. The wave of speculative enthusiasm coupled with report of a growing inquiry for copper had the effect of causing an advance to $98, the highest price reached by the stock in 1919 and in fact a higher level than it attained for the entire twelve months of 1918. The break in the market, the failure of the domestic or foreign demand for copper to materialize and the poor earnings caused softness and little resistance to liquidation until a low of 69 was reached early in December.

But it is interesting to observe that even at its absolute low of $65 the stock was selling but five points below the lowest price of 1917, in which year $14.50 was disbursed against $6 in 1919—and even the continuance of this latter rate was doubtful. The volume of transactions for the entire year was comparatively small, exceeding 40,000 shares a week only twice, once in June and once in July.

Of course, Utah will continue to rise and fall as the copper industry prospers or suffers. But its financial strength, its enormous productive power and reserves, its low capitalization and demonstrated earning power should help it respond to the first signs of permanent improvement in the copper world.

Those who believe in the future of the industry need not hesitate to place a portion of their future available funds in Utah. Without attempting here to decide that future definitely, I may venture to call attention to the fact that experience conclusively demonstrates that the best time to buy the good copper stock is when the activity of the copper industry is at a low ebb.

## ADVISES LONG TERM CREDITS TO EUROPE

**W. L. Saunders, of Ingersoll-Rand Co., Urges Arrangement to Further Foreign Trade**

"The granting of long-term credits is the only means under existing conditions whereby export trade can be carried on with Europe. Even this is a temporary palliative. In the end American exporters must get gold or commodities. This condition can be brought about provided the present situation is tided over through the purchase of foreign securities.

"Our position at present is that we have been suddenly converted from a debtor to a creditor nation—a position which cannot be maintained unless we develop shipping and interest ourselves in foreign commitments.

"We have most of the gold of the world. The crippled condition of Europe does not warrant an exchange of commodities or securities in sufficiently large volume. The only thing left for us is to give long-term credits."

# Ten Years' Price History of Anaconda Copper

## Five Years of Decline Up to 1914, Followed by Rapid Recovery and Another Decline—Stock Now Not Far Above Record Low Figure

THE graph herewith shows the price history of Anaconda Copper since 1909. Four principal periods may be identified:

(1) Five years of gradual decline, from the end of 1909 to the end of 1914. The decline was due to the general dullness of American industry, compared with the preceding decade, which prevented the demand for copper from gaining as rapidly as the supply, and therefore had the effect of producing a relatively lower price-range for both the metal and the stock.

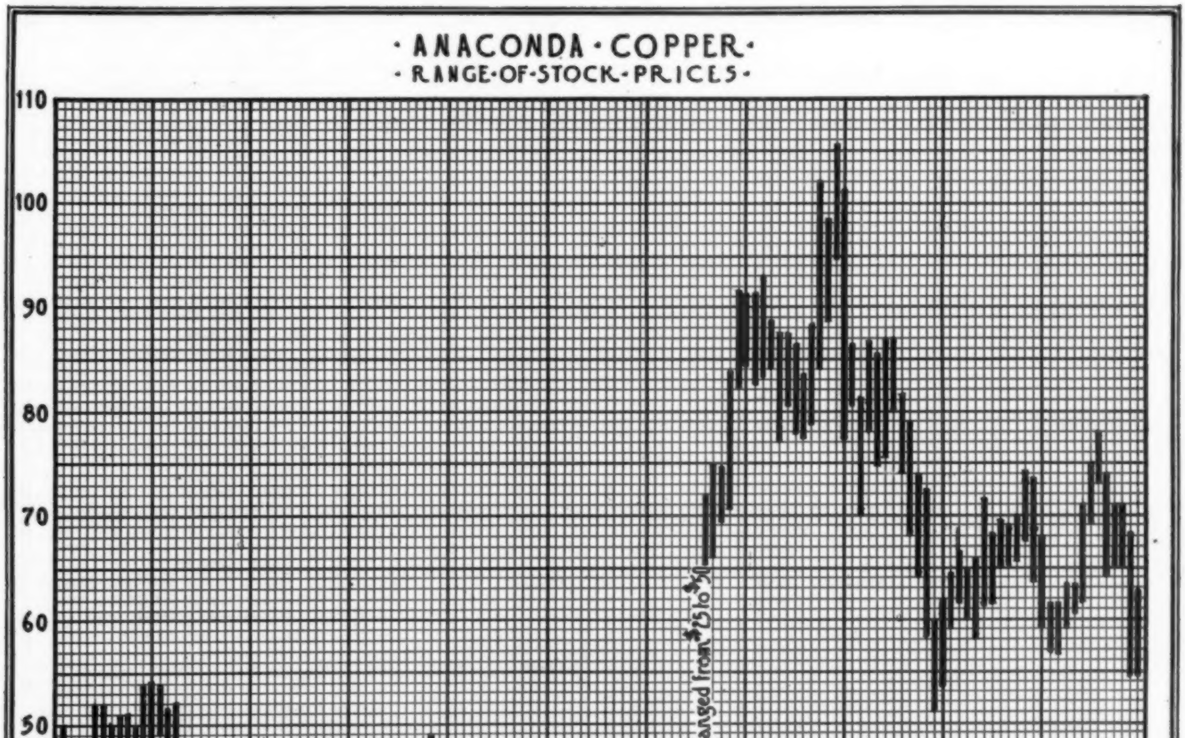
(2) A period of rapid advance, based on the big European demand for copper for war uses. This period lasted for two years, 1915 and 1916.

(3) An equally rapid decline during the year 1917, caused by the prospective tremendous demand for capital to result from our entry into the war, combined with the policy of a fixed price for copper metal.

(4) During 1918 and 1919, smaller price movements at a relatively low level, caused by the mixed influences which have been in operation: that is, scarcity of capital, fixed prices for the metal in 1918, big stocks of metal left over at the sudden ending of the war, and the inability of Europe to pay for copper to meet its big requirements for peace reconstruction.

At this writing the price of Anaconda is still somewhat below the middle of its 1918-19 range. It will be noted that the price of 50 (25 before the par value was doubled) has been the record low for the entire period, having been approximated in 1914-15 and again in 1917. It should also be observed that the war price of 105 was lower than the price of 54 for $25 par, which was reached in 1909-10.

Vol. 25, Pgs. 50, 153 and 258.



# Comparative Guide To Leading Oil Stocks

**Ratings Based on Earnings, Assets, Dividends, Dividend Prospects, Capitalization, Management, Present Price, and Prospects for Advance or Decline (Technical Position)**

Explanation: Commencing with our July 5, 1919 issue, we classified and rated oil securities in groups thus: Standard Oils, N. Y. Stock Exchange issues, N. Y. Curb Group, and Miscellaneous. Ratings were assigned, and are here continued from A to G, rating A being the highest and G the lowest. The first named places the security in the investment class, B is a business man's semi-investment, C is a specvestment, D a speculation; E. F. G. are more risky. Owing to the advances in some and declines in others, we have grouped their rating and desirability based upon present prices, and all other factors within our knowledge. The previous series that concluded with the October 18, 1919, issue analyzed 170 active oil issues. We are now listing the most prominent.

| | Par | Capital Common stock | Dividend | Price about | Market | Three-Year Range High | Low | Net Rating | Comments |
|---|---|---|---|---|---|---|---|---|---|
| Solar Refining | $100 | $2,000,000 | $20 | 370 | Counter N. Y. Curb | 420 | 216 | B | Prosperous refiner, paid liberal dividends and extras. Has good surplus; prospect bright. |
| So. Pipe Line | 100 | 10,000,000 | 22 | 150 | Counter N. Y. Curb | 243 | 145 | B | Although earnings poor, surplus large. |
| S. W. Penn | 100 | 3,500,000 | 12 | 97 | Counter N. Y. Curb | 140 | 88 | C | Is not making a brilliant showing. |
| S. O. of California | 100 | 100,000,000 | 10 | 313 | N. Y. Curb | 328 | 207 | B | Big surplus and high prices give this stock good possibilities in next few years. |
| S. O. of Indiana | 100 | 30,000,000 | 24 | 740 | N. Y. Curb | 945 | 393 | A | Progressive concern that has spectacular record and large surplus. Dividends seem quite safe. |
| S. O. of Kansas | 100 | 2,000,000 | 24 | 620 | N. Y. Curb | 679 | 330 | A | Producer, transporter, refiner, strong, growing co. that is entrenching itself. |
| S. O. of Kentucky | 100 | 6,000,000 | 12 | 470 | N. Y. Curb | 518 | 298 | C | Does not show up as well as the others. Margin of safety diminishing. |
| S. O. of Nebraska | 100 | 1,000,000 | 20 | 540 | N. Y. Curb | 650 | 305 | B | Low capital justifies expectations of "melon." Shares well regarded and dividend safe. |
| S. O. of New Jersey | 100 | 100,000,000 | 20 | 726 | N. Y. Curb | 803 | 385 | A | The leader of group and world-leader in oil business. Expansion program vast and possibilities almost unlimited. |
| S. O. of New York | 100 | 75,000,000 | 12 | 446 | N. Y. Curb | 450 | 199 | B | Also represents group in Far East. Does business on international scale. Prospects excellent. |
| S. O. of Ohio | 100 | 7,000,000 | 16 | 540 | N. Y. Curb | 550 | 375 | B | Big factor in gasoline business. Has paid and should continue to pay liberal dividends and extras. |
| Swan & Finch | 100 | 1,450,000 | 5 | 106 | N. Y. Curb | 135 | 89 | C | Conservative concern. Peace business should improve disappointing earnings. |
| Southern Pacific Co. | 100 | 301,462,900 | 6 | 103 | N. Y. Stock Exchange | 115 | 75¾ | A | Oil possibilities only faintly represented in market price. Should develop. |
| Simms Petroleum | No Par | 500,000 shares | None | 68 | N. Y. Curb | 74 | 28½ | B | Strongly backed; partly controlled by Am. Int. Corp. Should do very well in time. Well regarded. |
| Tropical Oil | 25 | 35,000,000 | None | 22 | N. Y. Curb | 25⅛ | 10 | B | Benedum-Trees enterprise formerly. South American properties of great value. Inter-Petrol supposed to be interested. Has undoubted possibilities. |
| Transcontinental Oil | No Par | 2,000,000 shares | None | 36 | N. Y. Stock Exchange | 62⅝ | 42¾ | C | Long price prospects seem bright but capitalization rather hopeful and stock still seeks absorption into investment channels. Conflicting reports on Texas holdings. Speculative. |
| Texas Pacific Coal & Oil | 10 | 6,000,000 | $6 with substantial rights | 1400 | Counter | 2000 | 300 | C | Discovered Ranger pool and dominates field. Doubtful if present price even represents future values, but shares somewhat speculative. |
| Tidewater Oil | 100 | 40,000,000 | $8 and extras | 230 | N. Y. Stock Exchange | 275 | 165 | A | Controls 70,000 acres in 5 States. Has 4,000 wells and 10,000 bbls. daily production. Produces about 5,000,000 bbls. yearly. Big Surplus. Conservative policies. |
| Union Oil (Del.) | No Par | 5,000,000 shares (authorized) | None | 36 | N. Y. Stock Exchange | 45⅛ | 34⅝ | B | See Dec. 13, 1919, Magazine of Wall St. Controls Union of Cal., Commonwealth Pet. and others. May develop in immense way. |
| Union Tank | 100 | 12,000,000 | $6 | 120 | N. Y. Curb | 146 | 80 | C | Owns about 25,000 tank cars. Expanding and may offer substantial "rights." |
| Vacuum Oil | 100 | 15,000,000 | 10 | 430 | N. Y. Curb | 490 | 215 | B | Does extensive export business. Refines and manufactures lubricating oil. Book value high and large surplus. |
| Washington Oil | 10 | 100,000 | 4 | 40 | N. Y. Curb | 55 | 26 | B | Steady producer in Western Pennsylvania. Should move upward in strong Standard Oil shares market. |

This classification of prominent oil companies will be continued until the list is exhausted. Under present arrangements, we contemplate following with the preferred stock and bonds of all these companies, which securities are naturally more strongly in the investment class. Meantime, inquiries on oil securities will be handled as usual through our Statistical Department.—Editor.

# South America As An Oil Producer

## Nations Turn to Southern Continent to Replenish Their Dwindling Oil Supplies — Colombia, Peru and Venezuela the Most Promising States—Many Difficulties to Be Overcome

IN a world threatened, no matter how distantly, with a shortage of coal, and a civilization which is becoming more and more dependent upon oil as a fuel, the opening up of practically an entire continent as an oil producing territory takes its place as one of the biggest developments along industrial lines in the last generation.

The United States had her gold fields of '49; England her South African diamond fields in the days of Queen Victoria; Spain, under Charles V, the "monarch upon whose empire the sun never set," her great mineral resources. In each case, the industrial tide of a nation turned to a territory whose resources held the key to undreamed of eras.

Now the world—all the nations—is turning to such a territory, looking to a new El Dorado; but instead of its being a little strip of land it is the larger part of a continent, embracing billions of acres. The South America of today is the country to which the prophets for future generations are pointing, partly for its thriving cattle industry, partly for the fertility of its soil, but most of all for its oil; and representatives of the Great Powers, particularly the United States and Great Britain, are invading it, equipped with huge capital resources, modern machinery and modern methods, on a scale rivaling any previous development in the history of finance.

Ten years ago there were but the rumblings of this invasion. Few public men spoke of the possibilities of these Southern lands; almost the first to bring them into the light was Theodore Roosevelt. Capitalists, working true to form, were close-mouthed and wide-eyed—it would be time enough for publicity when the job was under way. Today the statistics show actually billions of acres now under concession to American and English oil operators, drilling operations going on where only a short while ago jungle beats stalked their prey, and huge fortunes invested in a continent and an industry which have both only recently given any hint of their possibilities.

### Why South America Is Being Invaded

What has occasioned the frenzied exploration of this vast territory? Is it the money-seeking of a few capitalists, anxious to advance their own personal welfare alone? Are private interests, and private ambitions, all that are to be satisfied? To both questions the answer is a most emphatic "No!"

The exploitation of South American oil lands, although the enterprise of private capital, is actually the response of individuals to the demands of Governments. America, England, France, Japan—all of them, are crying for oil today as loudly as, in other days, they cried for coal. Petroleum has become one of the chief requisites to their industrial existence; their supplies of the precious fluid are rapidly diminishing, and new supplies are essential, whether getting them involves going to the other ends of th world or not.

Our case is with the United States, and we will confine ourselves to this country, but it is fair to say that figures which demonstrate how rapidly American oil resources are decreasing will apply, in proportion, to the other powers as well. Great Britain is turning to South American oil for the same reasons as the United States.

Look at the figures contained in Table I, compiled by oil geologist David White of the United States Geological Survey, estimating the available oil left in the ground in our domestic fields at present compared with the amount of oil marketed in the United States in the years 1917 and 1918. Do the necessary figuring and you will see that, if consumption in the United States continues merely at the 1917-1918 rate, the available supplies of our domestic fields will be exhausted within 20 years. Mexico, according to Mr. White, "probably contains less oil than remains in the ground in the United States."

Twenty years' supply, then, is approximately what this country has in the way of available oil, based on current requirements; but for how many of those twenty years will our supplies last with the country's requirements increasing by leaps and bounds the way they are? In 1908 American wells produced 178,500,000 barrels of oil, and the excess of supply over demand warranted the storage of 20,000,000 barrels; in 1918 ten years later, however, although production for the country amounted to 356,000,000 barrels, demand had become so much larger that 24,000,000 barrels had to be withdrawn from storage. With consumption growing at such a pace it is clear that twenty years is a most generous estimate to put on the life of our domestic supplies.

It is a very generally accepted belief that, within a very few years, the oil consumption of the United States will become half as large again as it is at pres-

**TABLE I—AMERICA'S RESOURCES IN AVAILABLE OIL IN GROUND**

| Field | Marketed Production in Barrels 1918 | Marketed Production in Barrels 1917 | Available Oil in Ground |
|---|---|---|---|
| Appalachian | 25,300,000 | 24,900,000 | 550,000,000 |
| Lima, Indiana | 3,100,000 | 3,700,000 | 40,000,000 |
| Illinois | 13,300,000 | 15,800,000 | 175,000,000 |
| Mid-Continent | 139,600,000 | 144,000,000 | 1,725,000,000 |
| North Texas | 15,600,000 | 10,900,000 | 400,000,000 |
| North Louisiana | 13,000,000 | 8,500,000 | 100,000,000 |
| Gulf Coast | 21,700,000 | 24,300,000 | 750,000,000 |
| Wyoming | 12,400,000 | 9,000,000 | 400,000,000 |
| California | 101,300,000 | 93,000,000 | 2,250,000,000 |
| Alaska, Colorado, Michigan, Montana, etc. | 230,000 | 230,000 | 350,000,000 |
| Totals | 345,530,000 | 335,330,000 | 6,740,000,000 |

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OIL TANKER IN PORT

**Transportation Difficulties, Including Such Factors as the Extreme Shortage of Tankers, Are the Chief Obstacles to Oil Development in South America**

ent. In this increase, the new uses recently discovered for oil will be the chief factors.

**Many New Uses for Oil**

One of the most significant advances the oil industry has made lately has been the adaptation of oil to fuel purposes. In point of commercial value and utility this adaptation ranks alongside the invention of the internal combustion engine. Today, according to figures recently made public, the United States posseses a fleet of 486 oil-burning steamships, besides 49 freghters equipped for oil-burning which have recently been returned to their owners by the Shipping Board, and 18 others sold by the Board to American operators. These figures do not include 636 oil-burning vessels now under construction which, when completed, will bring the total up to 1,731. The London *Times*, speaking for England, says: "It is safe to say that, within a year or two, the consumption of coal for marine purposes will be reduced more than 50 per cent., the decrease being made good by the use of oil as fuel."

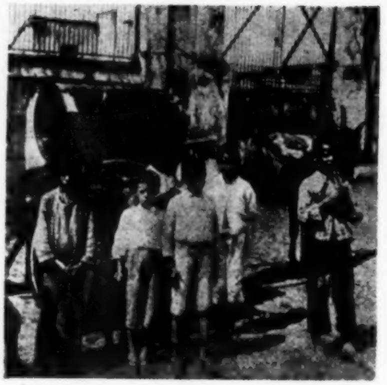
The practical side of the substitution of oil for coal as fuel is brought out by the fact that the installation of oil-burning apparatus on the big Aquitania will reduce the personnel of the ship's engine-room from 350 men to 40 men, will increase materially the vessel's speed, will save the time now lost in coaling, and will provide much more available space for cargo. Attention is also called to the fact that oil-fuel possesses greater thermal efficiency than coal, reduces fuel costs, and permits the maintenance of a uniform draft and water circulation, thus minimizing the deterioration of furnaces and boilers, resulting from uneven temperatures.

A second field in which oil has already scored a big triumph over coal has been the heating of buildings. One of the largest hotels in New York City recently expended $15,000 for the installation of an oil-heating plant; schools in another great American city have adopted the system, and from many other parts of the country reports of similar conversions are coming in. In France, it is said, the conversion of the furnace arrangements in hundreds of buildings is being effected in favor of oil.

Besides these two most important departures in the use of petroleum numerous others are being worked out. From England, for example, comes the news that the adaptation of railway locomotives to oil-burning apparatus has recently been proven commercially feasible. All these new uses will, of course, mean a tremendous increase in the demand for oil; and, since the nation's available domestic supplies threaten very soon to become inadequate, there is nothing else for Americans to do but turn to new lands to replenish their resources. Which brings us to South America.

**South America's Oil History**

That oil in commercial quantities existed in South America has been known for a long while. As far back as 1692 the Peruvians were wrangling over the petroleum rights of their country. Only within the last few months, however, have big American financial organizations gone



**OIL DELIVERY IN BAHIA**
**Introduction of modern methods in South America promises to startle the natives considerably**

into the district on a scale sufficiently large to interest our investors.

Today there are at least a round dozen of American companies installed in the southern continent, holding concessions on millions of acres of lands and financially equipped to put over big things.

So far, the most extensively developed lands of the Southern continent are Peru, Venezuela and Colombia. They are, certainly, the only countries from which any sizeable production can be expected for several years to come. And yet, ground which promises much for the future and which the big fellows have "buying faith" in stretches far beyond the confines of these three states. Note the following from the minutes of the Bolivar Concessions (1917), Ltd., a British concern, at the company's general meeting:

"It is known to a number of shareholders of this company that vast concessions are at present being negotiated with the governments of a number of Mid-Central American republics and private owners. These concessions stretch from the frontier of Mexico right away to Brazil, forming an almost uninterrupted chain of properties encircling approximately two-thirds of the Caribbean Sea. The area comprised in these great possessions already amounts to over 18,000,000 acres and will, at the conclusion of negotiations now in progres with various republics, exceed this figure many times over."

And that is only one company.

Peru is perhaps the oldest oil producer of the South American states, its oil production, mostly from the vicinity of Talara, averaging between 2,000,000 and 2,500,000 barrels. The Lobitos Oilfields, Ltd., established there for many years, has properties on the north coast, in the province of Piura, and other extensive deposits in what are known as the Punta Restin oil fields. As an instance of the commercial possibilities of Peruvian oil it is pertinent to note that the Lobitos company has been paying dividends of 10 per cent. or more since 1912.

Colombia probably ranks second to Peru in point of resources, which are indicated by the wells of the Tropical Oil Company said to be good for between 10,000 and 20,000 barrels a day. The government of this country opposed foreign exploitation of its oil resources until comparatively recent years which accounts for the limited stage to which development work there has thus far been effected. Drilling has been done in the Caribbean fields in the vicinity of Cartagena and in the Magdalena-Santander field, at Pamplona, near the Venezuelan frontier. The holdings of the Tropical Oil Co., located some 350 miles inland, are representative of the transportation difficulties which will have to be overcome before the Colombian oil fields can be put on a commercial basis. Pipe-lines of great length and over the most rugged country will be necessary, and as a result it is not expected that oil can start running to market from these fields for another year at least.

The oil fields of Venezuela which are farthest developed at the present time are located in or near the Maricaibo basin in the northwestern part of the state. Maricaibo Lake, it is noted, which extends 200 miles to the south, is navigable to small ocean going steamers giving easy access to the region. Concerning the potentialities of the Venezuelan fields, local brokers who are closely allied with companies already installed in Venezuela have this to

**TABLE II—TWELVE LEADING SOUTH AMERICAN OIL COMPANIES**

| Company | Auth. common stock in shares | Par value | Location of important holdings | Stock price |
|---|---|---|---|---|
| Maracaibo | 250,000† | None | Venezuela | $26 |
| Tropical Oil | 2,000,000† | $25 | Colombia | 20 |
| Transcontinental | 2,000,000† | None | Colombia and Venezuela | 37 |
| Royal Dutch | 1,000,000 | 1,000 fl. | Venezuela | 100 |
| General Asphalt | 189,463 | $100 | Venezuela and Trinidad | 110 |
| Carib Syndicate | 800,000† | $25 | Colombia and Venezuela | 50 |
| Inter. Petroleum | 1,253,401 | £1 | Peru and Chile | 71 |
| Island Oil | $39,500,000‡ | $10 | Colombia and Venezuela | 7 |
| Lobitos | £400,000 | £5 | Peru | 90s. |
| Sinclair Cons. | 5,500,000 | None | Colombia | 43 |
| Emerald Oil* | ......... | ..... | Colombia | ... |
| Boone Oil | 400,000 | $5 | Colombia | 6¾ |

*Negotiations pending subject to satisfactory title for the acquirement of oil and gas rights subject to one-eighth royalty, covering 1,500,000 acres of privately owned land in Colombia, including one-tenth ownership in the stock of the company owning the fee. Financial organization not yet announced, but it is expected company will authorize $3,000,000 7% cumulative preferred, par value $100, and $3,000,000 common, par $25.

†No bonds or preferred stock.

‡Common authorized, $30,000,000; outstanding, $22,500,000, par value $10; 1st lien 7s authorized and outstanding, $4,500,000, and 10-year debenture 6s $5,000,000 authorized and outstanding.

say: "There are many indications which lead us to believe that some of the present wells in Venezuela are gushers and produce 10,000 to 25,000 barrels a day, and we have heard stories that far greater wells have recently come into existence. The number of wells could no doubt be largely increased on short notice as the existence of a number of extensive fields seems already to have been proven."

Argentina has oil in commercial quantities in what is known as the Comodoro Rivadavia field from where it is transported to tidewater by pipe lines and shipped to Buenos Aires by tanker. The output of this field, according to figures recently made public, has increased from 47,004 barrels in 1912 to 1,144,737 barrels in 1917.

Oil-bearing lands, capable of producing considerable quantities, are also believed to exist in Chile, Boliva and British Guiana, but development work in these states has not yet been pushed, owing to various restrictive influences.

**Obstacles to Oil Development**

Any discussion of the subject of industrial progress in South America, however, would not only be incomplete but liable to be misleading if due emphasis were not laid on the difficulties standing in the way of such progress—difficulties which it may take years to overcome.

Perhaps foremost among the impediments are the racial prejudices and traits of the peoples of the South. They distrust the foreigner; and although the clink of his gold is a pretty strong argument in his favor, they seem to prefer squalor and discomfort to luxurious living at his hands.

Next come the climatic irregularites of the South—heat that stultifies human energies, heavy rains that wash away roads thirty days after they have been built and leave great pools of stagnant water as breeding places for mosquitoes and the dread malaria.

Then there are the innumerable transportation difficulties presented by countries half-jungle and half-mountain; and the international enmities, which have characterized the South Americans since time began and have been, perhaps more truly than any other influence, the explanation of their failure to march in step with the other nations of the world.

Finally, so far as the immediate future of the oil companies is concerned, there is the present shortage of oil tankers.

And yet, despite these apparently insurmountable difficulties, oil men of the most substantial type are confident that South America within two or three years wll be one of the big producing areas of the world. They urge investors thinking of buying South American oil stocks to confine themselves to the companies with ample funds, with a "staying capacity" that will keep them going through the lean years before production can be loosed, and, above all, with tanker-fleets, or the ability to get them. But such companies, they maintain, will be the oil producers of the future.

*A subsequent article, giving more detailed data relative to the various companies operating in South America will appear in an early issue.*

# Oil and Salt Water

## Current Reports, Like Story of Mark Twain's Death, Greatly Exaggerated—Prosperous Outlook for Oil Industry

THERE has been much talk of late about salt water spoiling a good deal of production in the Louisiana district and in Mexico. The Mexican rumor was circulated last summer, and has died out since then. According to current reports, the larger gushers were especially liable to be attacked by an inflow of salt water, which beyond a small percentage destroys the value of the oil by making it too difficult to refine.

The Louisiana field, about which these rumors center now, produces high-grade oil, and its wells are in many cases large ones, which is unusual for light oil producers. Salt water has been observed in several of the wells in this field, according to one report about 50%, but oil men on the ground say that the percentage is so small as not to affect the production seriously.

The water, being heavier than oil, tends to concentrate in the deeper sands and on the lower levels of the faults. It is therefore fairly easy to tell which districts of an oil field are in immediate danger of salt water spoilage. In the districts alleged to be affected, tests show the presence of 1/10 to 3/10 of 1% of water, while the normal tolerance of water is about 1%.

Similar slight quantities of water have been noticed in the Mid-Continent region, even in cases where production was at its prime. The Cushing field of Oklahoma is said to have run about 1% of water without abating in any degree the enthusiasm of oil men. It seems, therefore, that the excitement about the discovery of salt water in the oil wells of Louisiana has been overdone.

The oil outlook for this year is one of the brightest that the industry has ever faced. Demand for a long time has outstripped the supply, and importations of increasing size have been necessary to make up the deficit. This demand is now fairly well equalized throughout the industry, every type of product now being much needed. Fuel oil, which might possibly at one time have become a drug on the market, now runs no such risk, as it is being used more and more in industrial power plants, on ships, in centralized heating systems, and otherwheres as a substitute for coal.

In the same way, kerosene has become a great substitute for anthracite coal, particularly in the European export trade. Europe's shortage of coal has proven to be the kerosene exporter's opportunity, and it has been well seized. The demand for gasoline has suffered but slightly from the usual seasonal decline in demand during the winter, and the use of this petroleum product is expected to increase by leaps and bounds, with the growth of the automobile industry and the development of other uses for the gasoline motor.

Marketwise, the industry is in a strong technical position, as there are but small stocks on hand of the principal petroleum products, although some producers are perforce carrying large supplies of crude oil. The great trouble lies in transportation difficulties, as there is a shortage in all the facilities for transporting oil, from tank cars and tank steamers to pipe-lines. This has caused a great accumulation in many instances of crude oil stocks, which are waiting for freer movement of the products to be refined.

**Prices and Production**

Production for the year just past is the greatest in the history of the United States, but consumption has grown even faster, also making a record, while the importation of Mexican oil for American refineries has also reached a new high point. New refinery construction is being pushed in a good many oil producing sections.

The great new field thoroughly developed last year was the Northern Louisiana district, with its exceptionally high grade oil, but some of the Far Western States give promise of good developments within the next few months.

Undoubtedly the prices now prevailing for crude oil will be a greater inducement for energetic wild-catting and development work than those that prevailed earlier last year. It is even said that a good deal of potential production has been waiting for higher price levels before making its appearance.

With demand at its present intensity and the continued decline of the established producing wells, the general price tendency seems to be still upward even in the crude oils, while in many cases the refined products have not yet reflected the advances made in the crude petroleum. The European demand, it seems, may be counted on for some time to come, until the coal fields are brought up to considerably better production than at present, while the domestic demand has shown no signs as yet of decreasing. The increasing importance of fuel oil appears to be an established fact.

Production has been showing a declining tendency since July of last year, in spite of the tremendous volume of new capital invested in the industry. Capitalization of new oil companies in 1919 was more than twice the new money invested in the industry in 1915-1918, inclusive. Tentative estimates for the year, however, show that the total output was the greatest in the history of the United States.

The difficulties which confronted the industry last year in transportation may be somewhat decreased this year because of the attempts made to increase the number of tank cars and tank steamers in service, as well as the number of tanks available for temporary storage purposes. The high prices of oil will keep alive many wells whose production is close to the vanishing point, and should encourage new development.

# Atlantic Lobos Oil

## One of the Leaders in the Mexican Oil Industry — In a Favorable Position with Good Prospects for Development

OFTEN reports are circulated in connection with the flotation of new oil stocks that the company is controlled by Standard Oil or that Standard Oil interests are largely interested in the company's affairs. There are very few cases where these rumors have any foundation in fact, but they generally serve to create buying of the securities under a false impression.

In the case of the new Atlantic Lobos Oil Company, it may be truly stated that the company is under Standard Oil control because the Atlantic Refining Company, one of the foremost companies of the Standard Oil group, owns 50% of the stock and has a 50% representation on the Board of Directors, while the management of the properties is under Atlantic Refining control.

This should mean a great deal for the stockholders of the Atlantic Lobos Company, for the Standard Oil companies have a record of always having worked in their stockholders' interests, which is quite the reverse of the managements' attitude in many of our newly formed petroleum companies.

**Merger with Atlantic Refining**

The Atlantic Refining Company and the old Port Lobos Petroleum Company seemed to have a good many interests in common, resulting in a gradual drawing together over a period of several years, which finally culminated in the consolidation of the Mexican interests of the Atlantic Refining Company with those of the Port Lobos Company into the new Atlantic Lobos Oil Company. The Atlantic Refining Company had been importing large quantities of oil from Mexico, principally from the Port Lobos Company, to run through its big refinery at Point Breeze, near Philadelphia.

To extend its Mexican operations the Atlantic formed a separate company in Mexico and had built storage facilities and shipping accommodations. The company has also developed some production in Mexico, but this was entirely inadequate to supply the ever expanding requirements of the Atlantic Refining organization. On the other hand the Port Lobos Company had developed a very prolific supply of oil in Mexico, but had not the facilities for shipping to the United States, nor the organization for building up an extensive distributing system. Hence the merger of the two properties was welcomed by both interests.

Already the Atlantic Lobos is one of the strongest companies in Mexico and is likely to be the fastest growing of any of the oil organizations in that country. A glance at the accompanying table will give an idea of how rapidly the Port Lobos has gained on the other leading Mexican shippers within the last year. From month to month the company's shipments have increased until it has become one of the three leading exporters.

What is probably of more importance than this is the company's present campaign of development in the refining branch of the business, which should have a very beneficial effect upon the current year's earnings. The company is now building at Port Lobos, Mexico, a modern refinery. This plant is being constructed in units of 10,000 barrels capacity and it is expected that the plant will soon be capable of taking care of 20,000 barrels per day, while the management plans to build additional units from time to time. The Atlantic Lobos pipe lines running from the producing properties in the Tepatate field to Port Lobos now have a carrying capacity of about 45,000 barrels a day, but the plan is to expand the capacity of the pipe lines to 80,000 barrels daily.

The company has exceptionally fine terminal facilities and is now constructing large additions to its storage facilities. From the terminal at Port Lobos the company has run out into the ocean for about a mile sea loading lines by which the tankers can be quickly loaded while under the protection of a group of islands along the coast.

The present production of the Atlantic Lobos Company is derived from the Tepatate field, where some very large gushers have been brought in. Recently the "Mexican Review" stated that a well flowing 160,000 barrels a day had been brought in on the company's property, but no confirmation of this report has thus far been forthcoming. Aside from its Tepatate holdings the company controls a tract which, in the opinion of the management, may turn out to be the most valuable oil property in Mexico.

**Capitalization and Management**

The company's authorized and outstanding capitalization when all of the Port Lobos stock has been converted, will consist of 200,000 shares of preferred stock of $50 par value and 500,000 shares of common stock of no par value, and 50% of both issues will be held by the Atlantic Refining Company. Cumulative dividends of $8 a share, or 16%, will be paid on the preferred stock and this issue participates equally share for share with the common stock in any dividends paid on that issue.

It is understood that most of the common and preferred stocks not held by the Atlantic Refining Company are closely held by the American Tobacco, Standard Oil and other large interests, which means that there is a very small floating supply of these securities on the market. Incidentally this merger brings closely together the great American Tobacco and Standard Oil groups. The officers of the Atlantic Lobos Oil Company are:

President, W. M. Irish, who is also vice-president of the Atlantic Refining Company; vice-presidents, T. Sivewright Catto, who was formerly manager of the Port Lobos Petroleum Company and who served as chairman of the British Food Commission during the war; R. D. Leonard, of the Atlantic Refining Co., and Rufus L. Patterson, of the American Tobacco Co.; secretary, E. E. Lippincott; treasurer, Chas. B. Goldsboro.

The Board of Directors consists of: J. W. Vandyke, president of Atlantic Refining Co.; J. B. Duke, of the British American Tobacco Co.; R. L. Paterson,

*Photo from Underwood & Underwood, N. Y.*

**GUSHER SHOOTING INTO RESERVOIR**

**It is reported, although not confirmed, that the Atlantic Lobos Oil Company recently brought in a 160,000-barrel gusher on its Mexican property**

W. M. Irish, T. Sivewright Catto, B. C. Brown, Henry R. Hoyt, W. D. Anderson, R. D. Leonard, John H. Stone.

Mr. Catto is understood to have some very important financial connections in England and is well known in oil circles in this country. Practically since the Atlantic Lobos consolidation was effected, Mr. Catto has been abroad and it is understood that his stay in England is in connection with important plans for the formation of a British company along the lines of the Mexican Petroleum Company's British subsidiary. It is likely that before long the company's sphere of activities will be greatly extended and the Atlantic Refining Company's experience in the export end of the business should be of great assistance in this connection.

The capitalization and market valuation of the Atlantic Lobos Oil Company securities seems to be quite conservative compared with that of the other big Mexican companies. At their present market quotations, Atlantic Lobos Company's common and preferred securities have a total market value of about $55,000,000. On the other hand, the Mexican Eagle Oil Company's securities have a market valuation in excess of $250,000,000, while the Mexican Petroleum Company's securities have a market valuation of over $90,000,000. As shown in the table, the shipments of the three companies have recently shown a comparatively small difference.

The Mexican Petroleum Company, in addition to its producing business, operates a refinery at Tampico of about 10,000 barrels a day, while the Mexican Eagle Oil Company's refineries are said to have a capacity of about 30,000 barrels daily.

The Mexican Petroleum Company operates pipe lines to the capacity of 70,000 barrels a day and the Mexican Eagle Oil Company is reported to have 100,000 barrel daily pipe line capacity. The capacity of the Atlantic Lobos Oil Company's pipe lines and refinery have previously been referred to.

The Mexican Petroleum Company and the Mexican Eagle Oil Company have made a favorable showing in their earnings statements during the past few years. Atlantic Lobos Oil Company has, of course, not yet been able to make a financial statement. With the operation of the company's 20,000 barrel refinery, however, it is estimated that earnings from the refineries should amount to about $5,000,000 a year net, and with crude oil deliveries of 40,000 barrels a day it is expected that the company should realize net earings of about $8,000,000 a year from this source, which would give it a total net earning capacity of $13,000,000 and there is every reason to expect that these earnings will ultimately be considerably exceeded as the company's plans for expansion progress.

### Further Progress Expected

With the Atlantic Refining Company management in control, it is not to be expected that the Atlantic Lobos Oil Company will stand still, as the former company's record has been one of consistent progress, as may be judged from its financial statements which in the course of six years has increased its surplus account from $18,000,000 to $56,000,000, and it is expected that the latter amount has been greatly exceeded since the last financial statement as of December 31, 1918, was published. Within the last four years the Atlantic Refining Company's earnings before taxes have increased from $5,600,000 to $19,600,000, and this tremendous increase in earning power has been due principally to the company's aggressive campaign of expansion in the refining, marketing, producing and transporting branches of the business.

The market in the Atlantic Lobos Oil Company securities up to the present time has been a rather narrow one, which seems to be principally due to the fact that most of the stock is closely held.

Atlantic Lobos Oil Company preferred stock may be regarded as a safe issue to hold, as it shows a good return and would participate with the common in any dividends on that issue. This also gives the preferred stock speculative possibilities.

Around the present prices, the common stock also appears to have excellent possibilities for ultimate enhancement.

MONTHLY SHIPMENTS OF THE THREE PRINCIPAL MEXICAN OIL COMPANIES FOR THE PAST YEAR.

| Date. | Port Lobos. | Mex. Pet. | Mex. Eagle. |
|---|---|---|---|
| November, 1918 | 411,484 | 1,651,109 | 1,082,494 |
| December, 1918 | 464,014 | 1,404,170 | 806,081 |
| January, 1919 | 389,411 | 1,113,610 | 726,242 |
| February, 1919 | 587,405 | 865,094 | 950,898 |
| March, 1919 | 497,992 | 637,052 | 975,011 |
| April, 1919 | 450,684 | 529,682 | 815,615 |
| May, 1919 | 813,541 | 721,616 | 900,000 |
| June, 1919 | 651,578 | 1,048,025 | 1,088,367 |
| July, 1919 | 619,245 | 651,391 | 1,099,235 |
| August, 1919 | 1,021,868 | 1,082,919 | 1,126,037 |
| September, 1919 | 912,772 | 1,340,265 | 1,071,292 |
| October, 1919 | 1,119,281 | 1,577,042 | 1,398,820 |
| November, 1919 | 975,181 | 1,301,751 | 907,400 |

# Facts About Simms Petroleum

THERE are numerous signs that certain large interests, who have become greatly surprised because of the remarkable showing made by Simms and other companies in the Homer field, have spread rumors about the existence of excessive salt water in that field in order to depress Simms, White and Gilliland, so as to get into these properties at low figures.

Some weeks ago Simms Petroleum announced that stockholders as of January 15 would have the right to subscribe to one share of stock at $47.50 for every two shares of stock held. Until February 2, the last day for payment, there will be trading in the rights. It is quite possible, but not probable, that the pressure on Simms and this allied group will be continued until February 2. It is more probable, however, in view of the position of Simms, that those who really know Simm's present and future value will be very heavy buyers, thus offsetting the efforts of those trying to shake out the stockholders.

Simms will before long enter a leading position among the world's producers, refiners and distributers of petroleum. While no official announcement has been made, we learn that important development plans are under way in connection with American International, which is one of the two largest holders of the stock. Prior to the break, the stock sold as high as 73, and it is now around 60. Both the stock and the rights look like a good purchase upon any further reaction.

STILLS IN A LARGE REFINERY

# Babcock & Wilcox a Steady Earner

## Business on Company's Books Is Sufficient to Keep Earnings Up for a Long Period and Amount Available for Dividends Should Closely Approach War Record

THE Babcock & Wilson Company, manufacturing steam boilers for stationary and marine purposes, has been in existence as a corporation for 38 years. It was a "firm" for a good many years prior to 1881 when it was incorporated. Plants of the company are located at Bayonne, N. J., and Barberton, Ohio.

The company's territory includes the United States and colonial possessions. It has no foreign plants. In England, France, Spain and Germany separate and distinct corporations manufacture the same product as the American company, confining their activities to the countries in which they are situated. The Babcock & Wilcox Company as a corporation receives no income from these properties, which is rather unfortunate considering the fact that all of them are doing excellent business, the English company having grown to be as big as the domestic concern. There have been occasions, however, when surplus orders in one company were taken over by another, indicating that a valuable community of interest exists.

Earnings of the company have been excellent practically since its organization, dividends on the common stock—which is the company's only capital liability—having been paid steadily for more than 30 years. Dividend rate up to 1917 was 7 per cent a year, this rate having been increased in that year to the regular 8 per cent rate now in force.

#### War Work Highly Profitable

Speaking of the war work of most American corporations may seem like delving into ancient history. As regards the Babcock & Wilcox Company, however, such is not the case. Where other concerns suffered the abrupt cancellation of the majority of their war contracts as soon as peace was declared Babcock & Wilcox contracts were retained in a ratio of something like 40 to 1. The explanation of this phenomenon lies in the character of the company's "war" work—the construction of marine boilers—demand for which did not vanish when hostilities ceased as did, for example, the demand for shell-casings or acids. How much retaining this "war" business meant to the Babcock Company is better understood when it is stated that, for the last two years of the war, practically the company's entire capacity was turned over to Government work. In this regard, President Wells says: "It (1918) was a year in which so nearly all of our work was directly or indirectly for purposes in furtherance of the prosecution of the war that it may be truly said that the company was operated solely in the interests of the Government."

The only war-orders for actual munitions handled by the company consisted in an order taken in 1916 from the British Givernment for 570,000 howitzer shell bodies. To execute this order, Babcock & Wilcox associated with the American Brake Shoe & Foundry Co., organized a company known as the Hudson Metal Products Company with buildings and rather extensive hydraulic and furnace equipment at Barberton, Ohio. The shell forgings were manufactured by this company, and were machined and finished by the American Brake Shoe & Foundry Co. When the order had been completed the Hudson Metal Products Company was liquidated. A portion of the earnings from the Hudson Company on this munitions work was reflected in Babcock's 1916 report in the "recovery value" on the buildings and equipment put down for the execution of the contracts, which value approximated $500,000.

The contracts taken from the United States Government in 1918 resulted in the manufacture and shipment of a total rated capacity of 1,905,800 h. p. of marine boilers, to be installed in vessels as follows:

| | Horsepower |
|---|---|
| U. S. Destroyers | 1,400,000 |
| Emergency Fleet Vessels | 333,000 |
| Mine Sweepers and other Naval Vessels | 142,800 |
| Miscellaneous | 30,000 |

Additional Governmental contracts and a good increase in orders from other sources left the company at the close of the 1918 year with unfilled orders totaling $32,996,494, comparing with unfilled orders at the beginning of that year amounting to $46,248,661. These figures make an interesting comparison with the corresponding figures for 1915 and 1916 when unfilled orders on the books of the company amounted to $4,655,288 and $12,761,863, respectively. It is understood that contracts pending at the present time approximate those for 1918, which means that the company's business is a good deal more than double what it was three years ago.

The Babcock & Wilcox organization handled its war business as efficiently as any other American corporation. At the outbreak of the war the company promised the Secretary of the Navy a production of 20 White-Forster boilers per month, this number being needed to equip five destroyers. Not only was this production reached, but during seven months of the year 1918 the company actually shipped 24 boilers per month. In October, 1918, the company announced it was prepared to increase its output even further to 32 ship-boilers per month—a potential record-breaker—only to be informed by the authorities at Washington that the increased deliveries were not "desired" because the shipbuilders, who were providing the hulls, couldn't stand the pace.

#### Financial Position Strong

The financial position of the Babcock & Wilcox Company at the present time appears to be a very strong one. The company has no bonded debt or preferred stock and its current liabilities, including advance payments by shipbuilders, and the like, are all of an ordinary, normal nature well within its earning capacities. Capital stock consists of $15,000,000 common, par value $100, on which dividends at the current rate of eight per cent require an annual disbursement of $1,200,000. Net income for the year 1918, available for dividends, amounted to $2,695,709, or more than twice dividend requirements.

The company's plants at Bayonne and Barberton are well equipped and capable, as shown by its war work, of handling an immense amount of business. The great demand for bottoms in the shipping world continues at its exceptionally high rate, and officials are optimistic that a new business bulge will follow the straightening out of international commercial relations. Meanwhile, the business on the company's books is sufficient to keep earnings up for a satisfactory period, and with a lowering of taxes and other extraordinary expenses, net available for dividends should keep very close to the high levels established during the war.

Considering these factors the present price of the common stock, dealt in over the counter, of around $120 a share seems entirely justified from the standpoint of a well-protected investment with fair speculative possibilities.

**THREE-YEAR HISTORY OF BABCOCK & WILCOX**

| *Assets* | 1916 | 1917 | 1918 |
|---|---|---|---|
| Real estate, plants, etc | $11,247,719 | $12,307,185 | $12,566,315 |
| Cash | 115,794 | 724,268 | 2,188,043 |
| Accounts receivable | 4,552,549 | 7,183,613 | 11,669,530 |
| Bills receivable | 18,483 | 122,727 | 159,611 |
| Investments | 2,181,396 | 2,335,449 | 3,657,546 |
| Investments | 2,131,396 | 2,335,449 | 3,657,546 |
| Foreign rights | 577,520 | 577,520 | 577,520 |
| *Liabilities* | | | |
| Capital stock | $15,000,000 | $15,000,000 | $15,000,000 |
| Accounts and bills payable | 2,666,749 | 5,874,261 | 7,153,375 |
| Advanced payments | ........ | 2,779,895 | 5,770,005 |
| To complete contracts | 2,107,650 | 3,202,600 | 1,227,325 |
| Reserves | 632,458 | 1,028,942 | 4,590,498 |
| Surplus | 4,689,417 | 7,220,565 | 8,716,274 |

# Of Importance to Subscribers

## Our Position With Regard to Firms Whose Advertising We Accept

READERS of this magazine place a great deal of confidence in the character of advertising which we carry in our columns, because, as we have previously announced, we investigate the character of these houses and will not accept any which fail to come up to our standard.

It sometimes happens, however, that our investigation does not disclose certain weaknesses in the way of financial resources, speculative tendencies of individual members, or methods under which the business is being conducted. It is well, therefore, for our subscribers to understand just how far we can go in this matter, and just what risks they run when they place their money and securities in the hands of brokerage houses.

It is impossible for anyone to know the inner workings of a brokerage house, unless he is a partner in the concern or in the confidence of an employee who is in a position to see exactly what is going on. But even under such circumstances there is an unknown quantity in the shape of the character and private transactions of the individual members of the firm or the officers of a company, if it be incorporated. There have been numerous instances in the past where the firm's or company's business was conducted in a perfectly safe and legitimate way, but where failure has been precipitated by the dishonesty, speculation or defalcation of a partner or trusted employee.

We know the standing and reputation of most of the leading houses, and when their advertisements are offered to us we know whether to accept them or not. But when houses which are not members of any exchange and who are dealing in unlisted, Curb, and promotion issues, we make as thorough an investigation as we know how. This sometimes consists of an examination of their books and securities, and we frequently find that even these are camouflaged to a degree that would fool anyone who was not brought up in the brokerage business. Usually the house which claims to be legitimate, but is not, will let you go about so far in such examinations; when you ask for certain vital data, they know what they are up against, and they back down.

We secure reports of investigators which are employed by the best class of New York Stock Exchange and banking houses; in fact, by the New York Stock Exchange itself. We also make our own inquiries. Very often we can tell from the character of the literature and the kind of securities put out by the house that it is not one which we would care to put in touch with our subscribers, even though it means revenue for us. Our test question is this: Would we entrust this house with our own cash and securities? And unless we can get a satisfactory answer to that question, we turn down the advertising.

### Individual Standing Investigated

In the case of promotion concerns we examine the circulars and reports of the corporations whose securities they are offering, also the character of men behind the securities. We recently discarded an advertiser owing to the complaint of a subscriber who said they had misrepresented to him in a transaction a few years ago, and upon looking up we found that the securities which they had sold, long before they offered their advertising to us, contained statements which reflected on the character and judgment of the house.

But in spite of our precautions, neither we, nor any other concern in Wall Street, can guarantee a hundred per cent, safety in dealing with any particular houses because of the unknown quantities above described. A firm which is sound and well managed now may go wrong later through over-extension, speculation, a sudden collapse in the market which gives them no chance to call adequate margins, or from other causes well known in the history of the financial district.

### Where the Risk Is

Dealing with banking and brokerage houses and investment security dealers with curb brokers, is somewhat like dealing in securities: the higher you go in the scale of financial strength, character, reputation and conservatism, the safer you are, and the lower you go in the class of house, the greater risk you run. Your greatest risk is in dealing with new or inexperienced or under-capitalized or recklessly managed houses which do a large business through many branch offices, and issue enormous quantities of market letters and other attractive but elusive and misleading literature. Most of this is bullish, because the policy of the house is to "load them up and keep them loaded till the break comes." These are the houses that always make excuses when you want to withdraw money or securities. They seldom execute their orders, but some of them keep on hand enough of each kind of security, so that in case anyone starts to make trouble, they can give up what they finally have to.

This class of house couldn't buy advertising in the MAGAZINE OF WALL STREET at a hundred dollars a line, but it can and does buy advertising at a few cents per line in other financial columns.

Such houses usually have a few promotions of their own which consist of properties picked up for a song, are highly capitalized, and then unloaded on their unsuspecting clients. These promotions are mentioned right along with the other securities covered in the market letters and the "special circulars" describing them read like the truth.

The earmarks of such concerns are so pronounced that our subscribers should have no difficulty in keeping out of their clutches.

We wish it could be said that the risk in dealing with the best class of houses could be entirely eliminated. Sometime ago we advocated that the New York Stock Exchange insure or guarantee the clients of New York Stock Exchange houses against failure, but no action has been taken. Not that we believe the risk is large, for in justice to the New York Stock Exchange it must be said that failures are few and far between. What is more, they are growing less, because the requirements of the banks and the Stock Exchange are growing more stringent every year. We cannot, however, forget such cases as Toole, Henry & Co. and some others in the not distant past, and again urge that the Stock Exchange put itself on a plane with the National Banks and in a class by itself.

Many of our subscribers carry their securities in banks and trust companies. When they wish to buy or sell they give the order to the broker in the regular way, then instruct the broker to receive or deliver, as the case may be. In such cases they do not part with their money until the institution receives their securities, and they do not give up their stocks and bonds until the money is paid in. The bank or trust company loans the money necessary to carry the securities, and often does it at a rate below the current rate for call money. Brokers as a rule like this class of business, because they get their regular commission and the transaction involves no financing.

But even in such cases the risk is not eliminated because the bank or trust company may fail. While the percentage of failures among such institutions is infinitely small, it is well for our subscribers to understand just what the dangers are, if any. No one could tell, between 11 and 12 A. M., on May 9, 1901, whether hundreds of firms and dozens of banks would be able to meet their obligations by 3 P. M. that day.

Having stated our position, we now call upon our subscribers to continue their co-operation in order that our columns may be kept free of all advertisements of unsafe houses or securities. Subscribers will be co-operating if they report to us delays in receiving money or checks or misrepresentations or offerings of unsound stocks and bonds, or facts affecting the character of any house or individual member whose advertisements appears in our columns.

Subscribers can go further than this: They can watch our advertising columns and when they see the advertisement of a house has been discontinued, and they are doing business with that house, they can write us and ask whether they are safe in continuing. This puts us in a position to say whether we would, or would not, continue to deal there and avoids the necessity of our making accusations or stating why the advertisement was discontinued. In the event that we advise a transfer of the securities to another house or bank, it is wise to instruct the other firm or your banking institution to take up and pay for what you have there, and if any delay or excuses are made, you should author-

ize the house which is taking up your account to employ legal assistance, and do it promptly.

**Luxurious Quarters No Sign of Stability**

In a word, the better the class of house, the safer your money and securities. Do not be misled by elaborate offices, private wires, many branches, attractive advertising and circularizing, flamboyant literature, offers to carry curb stocks on margin, partial payment plans by non-members, etc., for these features do not indicate character, conservatism, integrity, or financial strength. The best class of houses do not need to make such inducements.

We trust that from the above subscribers will understand that we are endeavoring to give them the right kind of service; that we exercise great care in our Advertising Department; and that we shall have their co-operation now that they understand some of our difficulties.

THE EDITOR.

## Syndicates and Pools

THE terms "syndicate" and "pool" while they are interchangeable to a certain extent usually have a different meaning.

Briefly a syndicate is a group of brokerage firms which combine for the purpose of "floating" a new issue of stocks or bonds. The company issuing the security disposes of the entire issue, or a large portion thereof to the syndicate and the latter transfers the issue either to another syndicate or directly to the public. In some cases where the market is unusually active and new issues are being floated with great facility, the stock issue may change hands from one syndicate to another several times, the price being advanced several points in each transaction, before it is finally listed on the curb or on the exchange and the general public is allowed to participate. Of course, each syndicate operates at a varying degree of risk and the outcome is dependent upon a continued strong bull market.

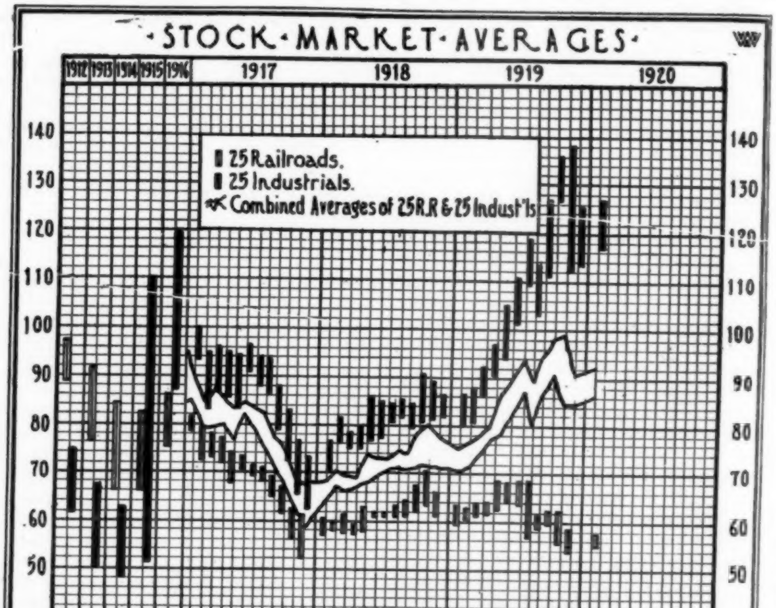
Syndicates usually are composed of no more than three or four brokerage houses but it is a common practice for each house to allow customers or "insiders" to participate. This of course considerably reduces the risk which the individual firm must carry.

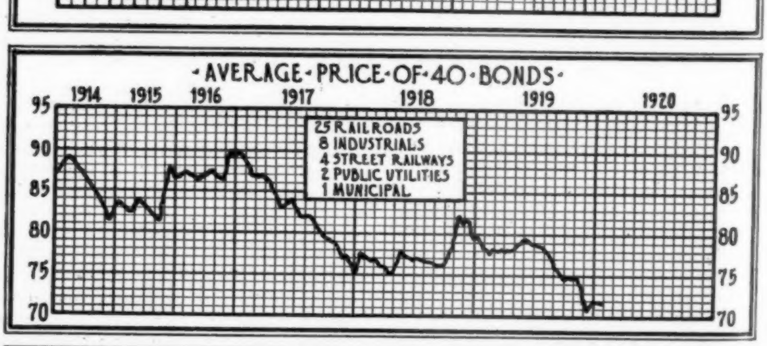
"Pools" differ from syndicates in that they are usually formed to deal in stocks already traded in. The object of the pool is to make a profit, usually on "the long side." The stock is first accumulated at low levels, then public interest is drawn to the stock in question and the price having been substantially advanced the stock is distributed among buyers. Pools which operate successfully for some time obtain large followings, which adds to their spectacular success until finally the law of averages asserts itself and the pool's operations often show a loss. Most pool operations are of course speculative in the extreme.

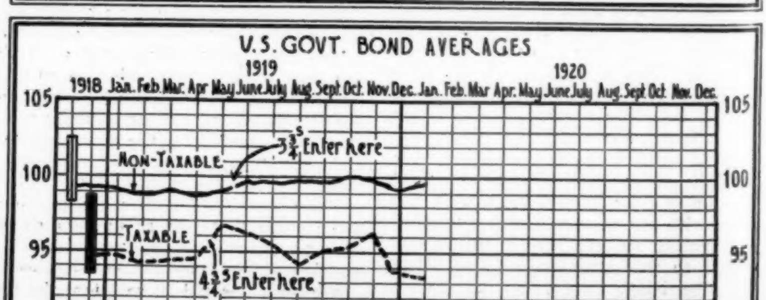
"He that wrestles with us strengthens our nerves and sharpens our skill. Our antagonist is our helper."—BURKE.

## Market Statistics

| | N. Y. Times | Dow, Jones Avgs. | | N. Y. Times —50 Stocks— | | |
|---|---|---|---|---|---|---|
| | 40 Bonds | 20 Inds. | 20 Rails | High | Low | Sales |
| Friday, Jan. 2...... | 72.17 | 108.76 | 75.62 | 91.28 | 89.54 | 1,143,030 |
| Saturday, Jan. 3 .... | 72.50 | 109.88 | 76.48 | 92.13 | 90.96 | 875,910 |
| Monday, Jan. 5 .... | 72.45 | 108.85 | 76.41 | 92.18 | 90.53 | 1,287,018 |
| Tuesday, Jan. 6 .... | 72.28 | 107.36 | 75.89 | 91.17 | 89.50 | 1,224,475 |
| Wednesday, Jan. 7.. | 72.47 | 107.55 | 75.90 | 90.69 | 89.74 | 769,155 |
| Thursday, Jan. 8... | 72.39 | 107.24 | 75.59 | 90.43 | 89.43 | 838,925 |
| Friday, Jan. 9...... | 72.44 | 106.59 | 75.56 | 90.08 | 89.27 | 744.824 |
| Saturday, Jan. 10 .. | 72.51 | 106.33 | 75.62 | 90.27 | 89.32 | 455.315 |
| Monday, Jan. 12..... | 7248 | 104.22 | 74.91 | 89.64 | 87.92 | 1,079,674 |
| Tuesday, Jan. 13 .. | 72.36 | 104.53 | 75.06 | 88.35 | 87.13 | 890,932 |
| Wednesday, Jan. 14 | 72.01 | 102.00 | 74.46 | 87.76 | 86.38 | 1,215,735 |
| Thursday, Jan. 15..... | 72.08 | 103.62 | 74.68 | 87.78 | 86.51 | 994,574 |
| Friday, Jan. 16 .... | 71.95 | 101.94 | 74.61 | 87.76 | 86.07 | 1,048,930 |




To Jan. 18.

# Odd Lots

## HE HAD A PECULIAR TALENT

AN applicant for a position in an Exchange house valued his services at $1,500 a year. He was told he wasn't worth it. And the manager proceeded to show him the employer's viewpoint in this manner:

| | Days |
|---|---|
| There are 365 days in the year | 365 |
| You sleep 8 hours each day | 122 |
| Days left | 243 |
| You rest 8 hours each day | 122 |
| Days left | 121 |
| There are 52 Sundays in a year | 52 |
| Days left | 69 |
| You have one-half day Saturdays | 26 |
| Days left | 43 |
| You have 1½ hours for lunch | 28 |
| Days left | 15 |
| You have two weeks' vacation | 14 |
| Days left | 1 |
| That is July 4, and we close | 0 |

"But you have omitted several important items," replied the applicant. "Here is the way it would work out. Your regular working day is eight hours.

| | Days |
|---|---|
| Regular working day in the year | 310 |
| I shall arrive 15 minutes before time and quit 15 minutes after hours each day, totaling | 24 |
| I shall spend 3 hours each night studying how to make your business more profitable | 137 |
| One hour a day worrying for fear I shall get fired | 47 |
| Four hours every Sunday praying for the success of the business | 26 |

Total days worked during the year 554 or about 50 per cent. over the usually accepted number of 365."

"I am willing to admit," said the manager, "that in one way you have a certain amount of talent. I will employ you and put you in charge of figuring up the interest due us from our customers."

* * *

## THERE ARE FALLS THERE, TOO

"Did you know that a long time ago there was a canal in Broad street, where the Curb Market is now?"

"No—that so?"


"Oh, yes, it's a well known historical fact."

"Say, I'll bet you ten dollars."

"All right, you're on. What's the bet?"

"I'll bet you ten dollars there's more water there now than there was then."

* * *

## IN THE DAYS WHEN THE LID WAS OFF

William R. Travers, well known in Wall Street years ago, came down one morning and found a very bad smell permeating the atmosphere.

"Where in thunder does this smell come from"? some one asked.

"D-d-d-on't know," replied Mr. Travers, who stuttered badly. "Gug-gug-guess the l-lid must be off the C-c-c-city Hall."

## WHERE CAN WE GET ONE OF THOSE BOYS?

ONE of the senior officers in a Wall Street institution was scheduled not long ago to speak before its workers. He was not to dwell upon baseball or any game, to tell humorous stories nor indulge in vaudeville; but he was to deliver a lecture on the serious and perhaps rather dry subject of "Bank Publicity."

As it was necessary for the department head to be in attendance at the lecture, he was obliged to leave his office. In such cases it is customary to leave a junior clerk or page at one's desk, to receive callers, telephone calls, etc.

On the night in question, the manager hailed one of the pages attached to his department, one, by the way, usually most willing and anxious to do everything he could to help in the day's work. The page was asked to sit at the desk.

"Oh, Mister, I want to go down to hear the lecture if I can," was his ready response. The department head summoned another page.

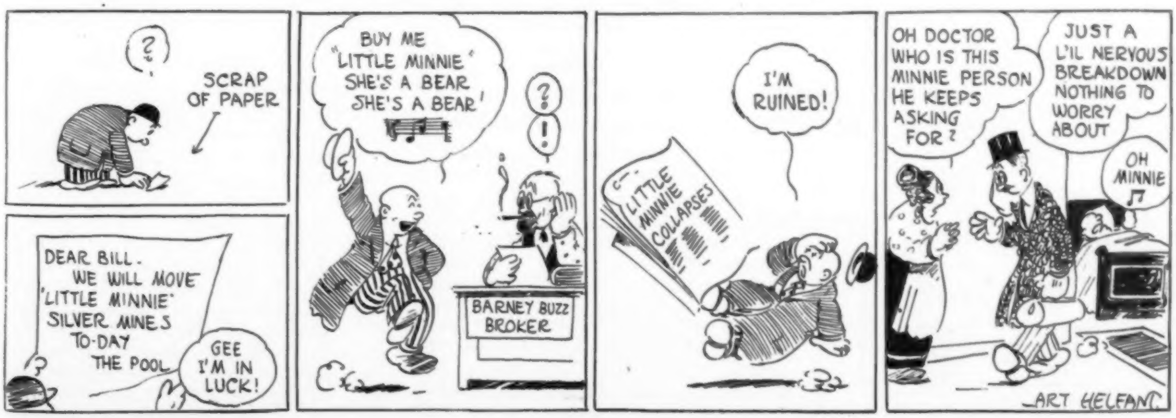
"I've been planning for a long time on hearing Mr. Smithson speak tonight and I wish I could—can't some one else stay here?" and he was almost in tears. The manager went out to the pages' box and asked three more of them before he found one who could stay away from that lecture on "Bank Publicity," without feeling that he was missing the time of his life.—T. C. J.

* * *

## SPONTANEITY VS. VACUITY

THE amateur trader gradually abandons his original notion of spontaneity by which in his ruder state he accounted for market movements. He then develops into the individual who can call the abbreviation of every stock on the list and with a similar abbreviation of knowledge concerning their intrinsic value.

## Adventures of Mr. Wanta Getrich Quick



# Investment Inquiries

### OHIO CITIES GAS

**Stock Selling Below Intrinsic Value**

I take this opportunity of asking information concerning Ohio Cities Gas Co. common stock. As I understand, the preferred stock is going to be increased from $10,000,000 to $90,000,000. Will this lessen the value of the common stock? Will it hurt its dividends? Would it mean anything to the present holder of the common stock? I own approximately one hundred shares of this stock costing me about $34 a share on the average.

As I reason it, the increased capitalization ought to be an advantage to the common stock eventually, inasmuch as the company will not need nearly so much money for dividends as it would had common stock been issued instead.—W. D. W. Vol. 25, P. 341.

While the issue of preferred stock may have a temporarily adverse effect on the common stock of Ohio Cities Gas Co., we do not think this will change the intrinsic value of the company's stock, which we think is higher than the present market price. You already have a good profit on your stock and we think you should hold it for a long pull as we believe that eventually Ohio Cities Gas will sell higher. The assets of the company are said to be around $92 a share. We agree with you that the company obtains its money more cheaply by increasing the preferred stock than if it were to issue new common.—V. 25, P. 341.

### TRANSUE & WILLIAMS

**Has Probably Discounted Prosperity**

Transue & Williams' earnings are estimated in the neighborhood of between $8 and $9 a share. However, we do not look for an increase in dividends. This company is the largest steel forging manufacturer in the country and has benefited by the extraordinary prosperity of the motor industry. The stock is selling high, however, and we think some of the motors such as Maxwell, which has had a serious decline and should be due for a rally, or Willys Overland, which is also selling very low, present better opportunities for speculative profits.

### NEW YORK AIR BRAKE

**To Start Manufacture of Automobiles**

New York Air Brake, it is understood, failed to earn its 10 per cent. dividend in 1919. Considering the company's large surplus, however, it is quite possible that the established dividend rate will be continued. The company did considerable war business for the U. S. Government settlement for which has not yet been effected and which may bolster up future earnings to a considerable degree. The company hopes shortly to branch out into the manufacture of passenger automobiles, an entirely new venture for New York Air Brake, and it is believed that the possibilities in this field are sufficiently large to give the stock good speculative prospects for the future.

### AMERICAN EXPRESS

**Company May Profit on Foreign Business**

American Express has fair possibilities although the stock is too inactive to be very attractive at the present time. Although practically no information is forthcoming as to the growth of the company's foreign business, it is confidently expected that its operations in Europe will yield good profits. The company is no longer in the express business, but may resume it when the operation of the American Railway Express Company is given up by the Government. American Express Company stock, which is on a $6 dividend basis, recently advanced to par and at that figure we consider it somewhat out of line. As a result we would not advise its purchase at the present time.

### SEABOARD AIR LINE

**Dividends Unlikely for Some Time**

Seaboard Air Line preferred stock is in quite a speculative position and we doubt whether dividends on the preferred will be resumed for some time. The adjustment 5s are paying full interest now and have paid since the date of issue. However, these bonds are in a speculative position and the continuation of their interest after the roads are returned to private operation depends a great deal upon how the railroad problem is eventually settled.—V. 25, P. 154.

### AMER. STEEL FOUNDRIES, PFD.

**Ranks Almost on Par with Bonds**

We regard American Steel Foundries 7% preferred as almost as safe as the bonds of this company, at least so far as dividends go. The company has assets of nearly five times the amount of the preferred stock and net quick assets in excess of that amount. During the past 13 years, including the earnings of Griffin Wheel for six years, the dividend was earned four times on the average.—V. 25, P. 336.

### U. S. LIBERTY BONDS

**Selection Depends on Income Tax**

The 4th Liberty Loan 4¼s, due 1938, can be recommended for investment except, possibly, to very heavy investors interested in minimizing their tax burdens. The yield on these bonds at current prices is higher than that on any of the other Liberties, excepting the 3rd 4¼s of 1928, and their attractiveness is enhanced by their comparatively distant maturity. The Liberty 3½s, or the 3¾s, are desirable, of course, for their tax features, being the only war issues exempt from taxation (excluding the inheritance tax). Under the circumstances, it is manifestly unnecessary to enlarge

on the security behind these issues. As liens on the U. S. Government they represent the strongest security in the world.

### HUDS. & MANH. 5s
**Influenced by Tractions**

Hudson & Manhattan Income 5s have declined in sympathy with other traction bonds in New York City, although the corporation is a railroad rather than a "traction" enterprise.

Apparently the market does not distinguish between the situation in regard to this company (which we believe to be in a relatively strong position), and the unfortunate status of the I. R. T. and B. R. T. The interest on these bonds becomes cumulative in January and while we do not look for any interest payments at once, we believe the status of the bond should improve. The company's earnings are protected by its "standard return" and by its increased earnings from real estate. The bond is, of course, purely a speculation, but has possibilities at current prices.—V. 25, P. 70.

### B. & O. REFDG. 4s
**Appear Attractive at Present Prices**

The Baltimore & Ohio, Pittsburgh, Lake Erie & W. Va. refunding 4s of 1941, are a first lien on only 193 miles. They are a second, third and fourth lien on about 1,300 miles of additional line, and are subject to about $30,000,000 in prior liens.

These bonds would seem to be attractive at their present price. The low price is undoubtedly due to the very bad showing the B. & O. has made in the last few years. Last year the company only earned about one-third of its Standard Return and this year only a little more than one-third is being earned, as compared with last year. In other words, the company if returned to private operation January 16 would be unable to meet its fixed charges. However, it is to be hoped that all the railroads will be taken care of by Congress and B. & O. should benefit with the others.—V. 25, P. 335.

### HOCKING VALLEY 4½s
**Fairly Active High Grade Investment**

Hocking Valley bonds, of which the first consolidated 4½s are selling around 60, are, in our opinion, a high grade investment. While Hocking Valley along with most of the other railroads has been moving downward, in the past few years these bonds appear safe and as an investment are almost as good a buy today as they were years back. The bonds are listed on the New York Stock Exchange, where they enjoy a fairly good market.

### AMER. ROLLING MILLS
**A High Grade Investment Well Secured**

American Rolling Mills Co. 7% Debenture Cumulative Preferred Stock is a high grade investment. The company during the past two years earned the preferred dividend nearly seven times and during the previous five years more than five times. It also has net quick assets equal to 129% of the stock.

## FRENCH GOVT. BONDS
**Should Yield Good Profits in Time**

We are of the opinion that the Anglo-French 5s selling around 96 to yield more than 9% are a good investment. The reason the bonds are selling on such a high yield basis despite their early maturity is to be found in the fear that many investors are entertaining as to the proper payment of the principal in cash when the bonds mature. These bonds are a joint obligation of the French and British nations, and we believe they will be taken care of at maturity.

The whole monetary international situation in Europe is in a highly uncertain state. We do not believe the French nation will fail to properly care for its obligations, however, and even if it should, as a remote possibility, be compelled to take some radical steps in regard to the French public debt, the external obligations would certainly remain intact. We doubt, however, if any radical or drastic measures will have to be resorted to.

We regard the City of Paris 5s of 1919 as an attractive investment offering good security. We have no preference between the government or municipal French bonds excepting insofar as any particular issue offers larger possibilities, or income.

We believe that there will be a very material improvement in French exchange during the next few years, and that people purchasing French obligations at prevailing rates of exchange should eventually realize good profits.

## KANSAS CITY RWY. 5s
**Not So Promising as Some Others**

Kansas City Railway 5s of 1944 are not over-attractive at their present price of about 78-83. The company reported a deficit of $439,000 in 1918, compared with a surplus of about $500,000 in the previous year, and its shaky performances resulted in the formation of a protective committee for the 1st mortgage bonds. Some encouragement is to be derived from the upholding by the Supreme Court of the fare increases allowed the company by the Public Service Commission, but its future is still uncertain. Holders of the 5s might do well to switch into some other issue that is better protected.

## PERE MARQUETTE 1ST 5s
**Can Be Given High Rating**

Pere Marquette is doing well. Earnings are twice the standard return allowed the road, besides being several times what they were last year. Much of this improvement can be attributed to the increasing activities of the automobile companies in Michigan in the current year. The company 1st mortgage 5s can be given a high rating, since the company, on the basis of actual earnings, is earning its dividends many times over. The shares have not only held up well during recent declines, but have actually recorded gains in market quotations. We would hold and look upon substantial recessions in price as buying opportunities.—V. 25, P. 283.

### ST. PAUL CONV. 4½s

**Secured Equally With Other Debentures**

These bonds, maturing in 1932, were originally debentures but are now secured equally with the two other debenture issues, under the general and refunding mortgage. The mortgage is a first lien on 718 miles only. It is a second lien on 6,500 miles and a third lien on 2,500 miles.

Formerly St. Paul earned its fixed charges more than twice, but in 1917 the interest was earned only 1.27 times. Under the standard return of course, the earnings provide ample margin for the interest charges, but on the basis of actual earnings the company would have trouble in meeting its charges. However we do not think there is any danger that the interest will be defaulted in 1920. This is indicated by the relatively high price of the bonds.

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## Senator and Steelmaster Favor Budget

AT the 20th annual dinner of the Rubber Association of America, which was held at the Waldorf-Astoria recently, Senator Walter E. Edge, of New Jersey, and Charles M. Schwab, of the Bethlehem Steel Corporation, pleaded for economy, not only in government administration, but in private business as well. Mr. Schwab declared that economy was the fundamental basis of business successes, and said that the late Andrew Carnegie was more interested in economy of operation than in the amount of profits. Continuing, he said: "We must establish our industry on a basis that will permanently endure, no matter what the conditions. Great profits may mean only exceptionally favorable conditions, and these will pass away, but if a proper economy of operation is once established in any business, you may rest content that it will survive unfavorable conditions."

In order to prove that the government has shown its total unfitness to properly run its own business, which, he declared, is due mostly to a division of responsibility and the lack of a commonsense budget system, Senator Edge instanced the six and a half billion dollar deficit in the management of the country, and stressed the point that the function of government is not to run business, but to co-operate in assisting it.

# The Trust Company as Executor

## Why You Should Make Your Will Now—What to Do and What to Avoid

FROM time to time articles in THE MAGAZINE OF WALL STREET have pointed out some of the ways in which advantageous use may be made of the services offered by trust companies. The advantage of naming a trust company or a bank entitled to exercise fiduciary functions in one's will as executor or trustee were set forth in the issue of the magazine for January 10.

The services a trust company may render in this respect are many. However, complete as is the machinery provided by these institutions for carrying out the wishes of those who die, and seeing that estates are properly closed, with property divided among the proper beneficiaries and the family receiving the benefits of the property, there is a huge number of cases where advantage is not taken of this service because of the carelessness of individuals in failing to make wills. As a matter of fact, about 97 per cent of Americans die without making wills in spite of the fact that every man or woman who possesses any property at all usually intends to draw up such an instrument.

Even if we confine our statistical investigation to the holders of what may be classed as valuable property we find that 80 per cent of such persons neglect the important duty of drawing up a will. Procrastination is the great reason for this lamentable carelessness. From one year to another a man puts off making his will and in the end death overtakes him with the simple precaution still neglected. Superstition and a desire to evade taxation follow procrastination as reasons for failure to execute wills. It was an old belief that the man who made a will was shortening his life. Against this superstition, the records seem to show that the will-makers, being people who are more careful and therefore more regular in their habits than their more careless brethren really live longer than do the latter.

Some men find in the inheritance and income taxes reasons for not making wills and die in the belief that they have escaped the final tax.

However, the great majority of persons who fail to make wills are well-meaning individuals who put off the important duty from day to day until illness comes.

Even if, during a fatal illness, a man is strong enough to make a will there is always the danger that some disinherited relative will attack the will, saying that his mind was affected by his illness.

At best, deathbed wills are always so hurriedly drawn that in many cases they do not at all express the real desires of the will-maker, although the law takes into consideration the weakened mental and physical condition of persons who make deathbed wills. The leniency of the law is shown by the fact that 85 per cent of the wills filed in the New York Surrogate's Court contain errors which would be fatal to any contract other than a will.

Some men neglect to make wills, thinking that the State laws will distribute the property satisfactorily. This plan may result in property going to those who do not deserve it. Furthermore, there is the possibility that with the appointment of an executor left to the courts some individual not particularly suited for the task will be named. Most men don't know what their State laws would do with their property if they should die without making a will. If they took the trouble to investigate this it is possible that some of them could be stirred out of their procrastinating habits.

The belief that it is useless to make a will because of the fact that it may be broken by a court contest is erroneous. The records show that where wills are drawn properly by competent lawyers and placed where they may be readily found after the death of the drawer they are upset by the courts in only a very small number of cases. It is harder to break a will than it is to break any other human contract. It is true that in the lower courts it is of common occurrence for a jury to break a will which is contested by some heir or claimant who has been cut off, apparently unjustly. But when the case is carried to the higher courts it is almost a certainty that the will will be upheld. The one person a man cannot cut off is his wife, even by agreement, if she elects to break that agreement after his death.

The following points of advice to will-makers by Charles S. Cutting, for many years Judge of the Probate Court in Chicago, should be studied by every person:

### DO'S

1. Before you consult anybody, make up your mind as to how you propose to leave your property.
2. If the disposition to be made is simple, such as leaving everything to your wife or your children in equal parts, any ordinarily skilled person can draw your will.
3. If your will is complicated, including trusts, life estates and so forth, employ the most skilled draftsman within your acquaintance, and your legatees and devisees will call you blessed.
4. Do as your legal adviser tells you as to matters concerning which there may be doubt.
5. Be sure to comply with all formalities required by the statute, especially the following:
6. Subscribe your name to the will in their presence.
7. Declare it to be your will in their presence.
8. Have at least two witnesses sign in your presence.
9. If you sign by mark, or for any reason are unable to write your name, have at least three witnesses to the fact of your signing by mark or that you requested some other person to write your name.
10. Ask people who have long known you and who have no doubt as to your sanity to be witnesses to your will.

11. Place your will in the custody of some perfectly responsible person or corporation, or in some receptacle, as a safety deposit vault, which cannot be opened after your death without the presence of public officials.

12. Remember that any provision you make for your wife is an offer to her to purchase from her statutory rights, and that if she chooses she may reject your offer and take under the statute.

DON'TS

1. Don't put off making a will until you are ill and your disinherited relatives will say that your mind is affected.

2. Don't believe that making your will will hasten your death.

3. In States where the statutes give a widow dower only in her husband's real estate, don't get the idea that she will be the owner in fee on one-third of his realty.

4. Don't attempt to tie up your estate for a long period, providing for ultimate distribution in the distant future. Courts are very apt to find ways to construe such a will contrary to your intention.

5. Don't let your will be the vehicle of conveying to posterity your hatred or dislike of individuals.

6. If you are wealthy and have provided well for your family, don't forget the obligation you owe to the community in which you have acquired your fortune.

7. Don't attempt to change your will after it is written and witnessed by drawing lines across certain portions of it and writing in other directions. Such attempts will fail.

8. Don't make a non-resident of your State executor of your will. Many States will not permit him to act.

9. Don't have the man you selected as executor sign as a witness. If he does it may disqualify him.

10. Don't allow any legatee or devisee in your will to sign as a witness. If he does he may lose his legacy or devise.

11. If you wish to add a codicil to your will, don't fail to have the codicil refer unmistakably to the will and to attach the codicil thereto physically.

12. Don't hesitate to change your will by codicil or otherwise whenever you see fit.

A SUBSCRIBER'S OPINION

I think I owe a word of thanks to THE MAGAZINE OF WALL STREET owing to the financial benefit I have enjoyed through the study of the books which you publish, particularly *Psychology of the Stock Market, Fourteen Methods of Operating in the Stock Market,* and *The Business of Trading in Stocks,* also *Tidal Swings of the Stock Market.* I was particularly impressed with Mr. Wyckoff's article in your current issue; it explains the situation in a nutshell.

J. D. G.

## BOND BUYER'S GUIDE

**Arranged by F. M. Van Wicklen**

THIS table includes many of the active bonds listed in the New York Stock Exchange. They are **classified** but not necessarily **recommended.** An endeavor has been made to arrange them in the order of desirability as investments, based upon **security of principal and income return.** The arrangement below attempts to balance these two factors. **This table appears in every other issue of this magazine.**

### Foreign Government Bonds

| | Apx. Price | Apx. Yld. % |
|---|---|---|
| *Anglo-French 5's, Oct. 15, 1920 | 96¼ | 11.00 |
| U. K. Gt. Brit. & I. 5½'s, 1937 | 90 | 6.50 |
| U. K. Gt. Brit. & I. 5½'s, 1929 | 94¾ | 6.30 |
| U. K. Gt. Brit. & I. 5½'s, 1922 | 95 | 6.60 |
| *Paris 6's, Oct. 15, 1921 | 92½ | 11.00 |
| *Jap. 2nd Ser. Ger. Stpd. 4½'s, 1925 (par value $974) | 76 | 10.00 |
| *French Cities 6's, 1934 | 92¼ | 6.90 |
| U. K. Gt. Brit. & I. 5½'s, Nov., '21 | 96 | 8.05 |
| Dom. Canada 5's, Apr., 1921 | 98¼ | 6.50 |
| Dom. Canada 5's, Apr., 1926 | 93½ | 6.25 |
| Dom. Canada 5's, Apr., 1931 | 91½ | 6.05 |

### Railroad Bonds Legal for New York State Savings Banks

| | | |
|---|---|---|
| First Grade: | | |
| *So. Pac. Ref. 4's, 1955 | 78½ | 5.35 |
| Lou. & Nash. Unified 4's, 1940 | 82¾ | 5.40 |
| At. Coast Line Cons. 4's, 1952 | 78½ | 5.40 |
| Pennsylvania Gen. 5's, 1968 | 91½ | 5.50 |
| Nor. Pac. P. L. 4's, 1997 | 77½ | 5.20 |
| C. Burl. & Q., Ill. 3½'s, 1949 | 73½ | 5.30 |
| †Atch., T & S Fe Gen. 4's, 1995 | 79 | 5.10 |
| C. Burl. & Q. Gen. 4's, 1958 | 81 | 5.15 |
| C. & North West. Gen. 5's, 1987 | 97¾ | 5.15 |
| Union Pacific 1st 4's, 1947 | 84½ | 5.05 |
| *Norf. & West. Cons. 4's, 1996 | 78 | 5.15 |
| N. Y. Cent. 1st 3½'s, 1997 | 68½ | 5.20 |
| †Union Pacific Ref. 4's, 2008 | 78½ | 5.10 |
| M., St. Paul & S. S. Marie Cons. 4's, 1938 | 81½ | 5.60 |
| Lake Shore 1st 3½'s, 1997 | 71 | 5.00 |
| Illinois Cent. Ref. 4's, 1955 | 75 | 5.65 |
| No. Pacific Ref 4½'s, 2047 | 81 | 5.55 |
| C. M. & St. Paul Gen. 4's 1989 | 69½ | 5.85 |
| Del. & Hudson Ref. 4's, 1943 | 80½ | 5.50 |
| Nor. Pacific Gen. 3's, 2047 | 55 | 5.55 |
| Gt. Northern 4¼'s, 1961 | 83½ | 5.20 |
| Penna. Cons. 4½'s, 1960 | 92 | 4.95 |
| Second Grade: | | |
| *C. M. & St. Paul Conv. 4½'s, 1932 | 68 | 8.90 |
| C. M. & St. Paul Ref. 4½'s, 2014 | 59½ | 7.50 |
| C. M. & St. Paul Conv. 5's, 2014 | 67 | 7.50 |
| N. Y. Cent. Ref. 4½'s, 2013 | 77 | 5.90 |

### Railroad Bonds Not Legal for New York State Savings Banks

| | | |
|---|---|---|
| C. Burl. & Q. Joint 4's, 1921 | 95½ | 7.20 |
| ‡Union Pac. Conv. 4's, 1927 | 87 | 6.25 |
| Ches. & Ohio Gen. 4½'s, 1992 | 75 | 6.05 |
| Balt. & Ohio P. L. 3½'s, 1925 | 82* | 7.50 |
| Seaboard Air Line 1st 4's, 1950 | 60 | 7.30 |
| Col. & So. 1st 4's, 1929 | 85½ | 6.00 |
| Lake Shore Deb. 4's, 1928 | 86¾ | 6.00 |
| Ore. Sh. Line Ref. 4's, 1929 | 83¾ | 6.30 |
| At. Coast L., L. & N. 4's, 1952 | 72 | 6.00 |
| Wabash 1st 5's, 1939 | 89½ | 5.95 |
| Ill. Cent.-C. St. L. & N. O. 5's, 1963 | 82 | 6.20 |
| Balt. & Ohio 1st 4's, 1948 | 65 | 6.80 |
| †Cent. Pac. Ref. 4's, 1949 | 76 | 5.70 |
| *Virginian 1st 5's, 1962 | 84½ | 6.05 |
| Ore.-Wash. R. R. & N. 4's, 1961 | 70 | 6.00 |
| Kan. City Term. 4's, 1960 | 75 | 5.55 |
| Lehigh Valley 6's, 1928 | 100¾ | 5.90 |
| N. Y. Cent., L. S. Coll. 3½'s, 1998 | 61½ | 5.80 |
| Southern Cons. 5's, 1995 | 85¾ | 5.90 |
| †Chic. Union Sta. 4½'s, 1963 | 82¼ | 5.60 |
| Union Pac. 6's, 1928 | 102 | 5.60 |
| C. Rock I. & P. Gen. 4's, 1988 | 75 | 5.40 |
| Illinois Cent. 5½'s, 1934 | 92¾ | 6.30 |
| Cent. of Ga. 6's, 1929 | 93 | 7.00 |
| Balt. & Ohio 6's, 1929 | 90¼ | 7.50 |
| ‡Reading Gen. 4's, 1997 | 80 | 5.00 |
| Second Grade: | | |
| Ches. & Ohio Conv. 4½'s, 1930 | 75½ | 8.10 |
| St. L.-San F. P. L. 4's, 1950 | 58 | 7.50 |
| Den. & R. Grande Cons. 4's, 1936 | 66½ | 7.60 |
| Mo. Pac. Ref. 5's, 1923 | 91 | 8.00 |
| Ches. & Ohio Conv. 5's, 1946 | 79½ | 6.75 |
| So. Pac. Conv. 4's, 1929 | 81 | 6.75 |
| †So. Pac. Conv. 5's, 1934 | 103 | 4.70 |
| C. Rock I. & P. Ref. 4's, 1934 | 66½ | 7.90 |
| ‡Col. & So. Ref. 4½'s, 1935 | 73¾ | 7.50 |
| *N. Y. Cent. Conv. 6's, 1935 | 92¼ | 6.80 |
| *Pere Marquette 5's, 1956 | 87 | 5.90 |
| Kans. C. So. Ref. 5's, 1950 | 74 | 7.10 |
| Mo. Pac. Gen. 4's, 1975 | 57 | 7.15 |
| C. C. C. & St. L. Gen. 4's, 1993 | 63¾ | 6.40 |
| Western Pacific 5's, 1946 | 84 | 6.25 |
| Second Grade: | | |
| Mo., K. & Texas 1st 4's, 1990 | 60½ | 6.60 |
| St. L. So. West. 1st 4's, 1989 | 64 | 6.35 |

| | Apx. Price | Apx. Yld. % |
|---|---|---|
| West. Md. 1st 4's, 1952 | 51¼ | 8.30 |
| ‡Erie Gen. 4's, 1996 | 41 | 9.85 |
| Choc. Gt. West. 1st 4's, 1959 | 56 | 7.50 |
| Southern Gen. 4's, 1956 | 60 | 7.10 |
| Chic. & West. Ind. 4's, 1952 | 59 | 7.40 |
| Erie Conv. 4's, "D," 1953 | 38½ | 10.60 |
| **Industrial Bonds** | | |
| *Midvale Steel 5's, 1936 | 84½ | 6.60 |
| *Beth. Steel Ref. 5's, 1942 | 86½ | 6.10 |
| Western Elec. 1st 5's, 1922 | 97¾ | 5.80 |
| Va. Car. Chem. 1st 5's, 1923 | 95 | 6.50 |
| Central Leather 1st 5's, 1925 | 96 | 5.90 |
| Beth. Steel Ext. 5's, 1926 | 96¾ | 5.70 |
| Armour R. E. 4½'s, 1939 | 83 | 6.00 |
| *Am. Smelt. & Ref. 1st 5's, 1947 | 86 | 6.05 |
| Rep. I. & Steel 5's, 1940 | 96 | 5.35 |
| ‡Lackawanna Steel Cons. 5's, 1950 | 96 | 5.25 |
| U. S. Steel 5's, 1963 | 99 | 5.05 |
| Indiana Steel 1st 5's, 1952 | 93½ | 5.45 |
| National Tube 1st 5's, 1952 | 93 | 5.50 |
| Wilson & Co. 6's, 1941 | 98 | 6.15 |
| *U. S. Rubber 5's, 1947 | 87¾ | 5.90 |
| Am. Cotton Oil Deb. 5's, 1931 | 87 | 6.70 |
| Inter. Mer. Mar. 6's, 1941 | 94 | 6.50 |
| Gen. Elec. Deb. 5's, 1952 | 95½ | 5.30 |
| Distillers Sec. 5's, 1927 | 87 | 7.40 |
| †Com. Tab. Rec. 6's, 1941 | 86 | 7.35 |
| *Int. Argricul. 5's, 1932 | 83 | 7.15 |
| Wilson & Co., 6's, 1928 | 94¾ | 6.65 |
| Braden Copper 6's, 1931 | 93 | 6.90 |
| ‡Chile Copper 6's, 1932 | 80 | 8.80 |
| Colorado Ind. 5's, 1934 | 74 | 8.20 |
| Col. Fuel & I. 5's, 1943 | 86 | 6.15 |
| Texas Co. Deb. 6's, 1931 | 103 | 5.65 |
| **Public Utility Bonds** | | |
| Manhattan Cons. 4's, 1990 | 49¾ | 6.85 |
| *Amer. Tel. & Tel. Conv. 6's, 1925 | 99½ | 6.05 |
| *Amer. Tel. & Tel. Coll. 4's, 1929 | 79 | 7.10 |
| *Amer. Tel. & Tel. Coll. 5's, 1946 | 82 | 6.40 |
| *N. Y. Telephone 4½s, 1939 | 80½ | 6.25 |
| Columbia Gas & Elec. 5's, 1927 | 84 | 7.85 |
| New York Tel. 6's, 1949 | 96 | 6.30 |
| Int. Rap. Tran. Ref. 5's, 1966 | 52 | 9.80 |
| West. Union Tel. 4½s, 1950 | 80 | 5.95 |
| *Hudson & Man. Ref. 5's, 1957 | 59 | 8.80 |
| Public Serv. C. N. J. 5's, 1959 | 65 | 7.90 |

*In denominations of $100, $500 and $1,000.
†In denominations of $100 and $1,000.
‡In denominations of $500 and $1,000.

## Wall Street Division of University Growing

THE Wall Street Division of New York University, which since 1915 has conducted classes in the Broad Exchange building, goes on February 1 to its new headquarters at 90 Trinity Place, where it will occupy the entire premises of what was formerly Trinity Church School. This movement marks the success of an experiment in university education in Wall Street. From 200 students in 1914 the school has grown steadily until this year more than 1,300 students, both men and women, are receiving instruction in banking, finance, accounting, law, shipping, exporting and importing, marine insurance and foreign languages. In its new building the university will develop institutional activities along many lines. It is planned to establish a business library which will serve as an instrument of research. Students having similar interests will be able to form associations, and the school, it is hoped, will be the common meeting ground for all those interested in the advancement of business through education.

### HIGH COST OF LIVING CAN BE MUCH REDUCED

**Attorney-General Palmer Says Solution Lies in Personal Economy and Thrift**

"The cost of living, already under control, can be reduced if everyone who produces will produce his utmost, if those who buy and consume will save and eliminate extravagance, and if all honest people will join with the Department of Justice in stamping out profiteering and hoarding."

# Current Bond Offerings

**Briefly Discussed and Analyzed**

| Issue. | Maturity. | Offering Price. | Yield to Maturity. | |
|---|---|---|---|---|
| Government and Municipal: | | | | |
| *Province of Manitoba (Canada) 6s | Jan., 1925 | 97.89 | 6.50% | |
| *Province of British Columbia 5s | Jan., 1925 | 93.30 | 6.60 | |
| State of Louisiana Port Com. 5s | 1931-'60 | 100 | 5.00 | (a) (d) |
| State of Michigan Highway 4½s | Nov., 1934 | 102.19 | 4.30 | (a) |
| *City of Chicago, Ill., Coupon 4s | 1921-'39 | 90.53@ 98.93 | 4.75 | (a) (d) |
| *City of Chicago, Ill., Funding 4s | 1929, '32-'35 | 92.02@ 94.56 | 4.75 | (a) |
| City of Birmingham, Ala., School 5s | Dec., 1949 | 100 | 5.00 | (a) |
| City of Canton, Ohio Water 5s | 1920-'43 | 100.12@103.43 | 4.75 | (a) |
| *City of Los Angeles Imp. 5¼s | 1920-'54 | ... | 5.00 | (a) |
| City of Minneapolis Coupon 5s | 1922-'24 | 100.47@100.80 | 4.80 | (a) |
| Buncombe County, N. C., Road 5¼s | 1922-'46 | 100.47@103.62 | 5.00 | (a) |
| Railroad: | | | | |
| *Canadian Northern Equipment 6s | 1920-'21 | ... | 6.25@6.50 | (b) |
| Public Utility: | | | | |
| *Phil. Suburban Gas & Electric Conv. 6s | Dec., 1922 | 97 | 7.00 | (b) |
| Republic Railway & Light 7s | Jan., 1923 | 97¼ | 8.00 | (b) |
| Industrial: | | | | |
| *Cuba Cane Sugar Conv. Deb. 7s | Jan., 1930 | 101 | 7.00 | |
| *S. F. Bowser & Co., Inc., 6% Notes | 1921-'25 | ... | 6.25@6.62 | |
| *Kahler Corporation 1st 6s | 1923-'35 | 100 | 6.00 | (b) (e) |

(a) Exempt from Federal Income tax, including surtax. (b) Company pays normal income tax to the amount of 2%. (c) Exempt from Federal, State and Municipal Taxation as to interest and principal, excepting estate and inheritance taxes. (d) Available in $1,000 and $500 denomination. (e) Available in $500 and $100 denominations. (f) Exempt from State and local and from Federal normal income tax. (g) Without deduction from Federal income tax up to 4% so far as is legally permitted. (*) Discussed in text.

**Province of Manitoba 6s.** These bonds are a direct obligation of the Province, and are payable from its general revenue. The Legislature has the power, however, to supplement ordinary sources of revenue by levying a direct tax upon all assessable property in the Province to meet charges in connection with these bonds. Manitoba is an exceedingly wealthy Province, and the entire funded debt is a little more than 5% of property municipally assessed. Principal and interest payable in gold at Winnipeg, Toronto, Montreal or New York. A very fine bargain at the offered price.

**Province of British Columbia 5s.** A very wealthy Province which is developing very quickly, and these bonds are a direct obligation of the Province. Total funded debt a little more than 5% of assessed value of property in the Province. Principal and interest payable in gold in Canada and United States. Offered to yield 6.60%, bonds are a unique bargain. Canadian obligations should appreciate in market price as conditions of exchange become more normal.

**City of Chicago 4s.** Coupon 4s issued to amount of $11,900,000 and due in varied amounts each January 1, 1921 to 1939, inclusive. Credit of City of Chicago among best in municipal field. Yield very attractive, considering tax exemption. Funding 4s issued to amount of $2,347,000. Due January 1, 1929, $347,000; January 1, 1932, $500,000; same amounts January 1, 1933, 1934 and 1935. Yield very attractive. Coupon 4s available in $500 pieces.

**City of Los Angeles Improvement District 5¼s.** Obligation of Improvement District No. 11, which is practically all that part of Los Angeles contained in the Westgate annexation of June, 1916, and comprises a territory of 10,500 acres lying generally speaking in the western part of the city. The purpose of this issue is to pay for supplying said district with water from the municipal water system of the city of Los Angeles. Payment of interest and principal of these bonds is provided for by levy of direct unlimited ad valorem taxes coincident and in the same manner as other city taxes. Taxable property to meet obligations in connection with these bonds very large. Bonds legal investment for California savings banks, and tax exempt in California. An attractive issue, especially the longer maturities.

**Canadian Northern Equipment 6s.** Road is owned by Dominion of Canada, and the equipment trust certificates bear the guarantee of the road, all charges in connection with them being regarded as a claim against its earnings prior to both principal and interest of its mortgage debt. There are $7,500,000 of the certificates, and they are secured by a large amount of varied equipment. An initial payment of over 25% has already been made. In short, character of the security is excellent, and the basis yielded by these certificates is larger than basis given by American equipment obligations, despite the fact that the safety of these certificates is excelled by only that of the better American roads.

**Philadelphia Suburban Gas & Electric 6% Notes.** Entire capital stock of company is owned by American Gas Co., which guarantees interest and principal on these notes unconditionally. Interest charges on these bonds considering also fixed charges on other obligations should be met with a very liberal margin, on the basis of past earnings. Issued to amount of $1,680,000; authorized, $2,160,000. Secured by deposit of $2,800,000 of 50-year general 6s. Convertible at any time into the secured bonds at 92 and interest, and if level of interest rates moves closer to

normal this privilege may prove of great advantage. Company agrees to retire through sinking fund on June 1, 1921, $75,000 par value of the notes, and $75,000 additional every three months thereafter. Proceeds of notes will be used to retire some American Gas notes. A well secured bond, and a good purchase to yield 7%, considering the possibilities in the conversion privilege.

**Cuba Cane Sugar conv. deb. 7s.** Company one of the largest concerns interested in the sugar business, more especially the Cuban crop. Has not been signally successful since incorporation, but a number of changes are to be effected, which should greatly benefit corporation, and the large prosperity for sugar growers should do much to help the company out of its old difficulties. The earnings record of the past few years would cover interest charges on these bonds with fair margins, but the 1919 showing was very favorable. The asset position of the bonds is also quite favorable to them. The conversion privilege permitting exchanging the bonds for common stock at 60 after January 1, 1922, has good possibilities. At 101 the debentures yield a little less than 7%. The bonds may be regarded as an excellent investment for the funds of a business man, and they hold forth possibilities for speculative profits.

**S. F. Bowser 6% Notes.** Business established in 1885, as pioneers in the manufacture of oil tanks and self-measuring pumps, and today Bowser equipment is regarded as the world's standard. These notes are a direct obligation of the company and are secured by a trust agreement stipulating that no mortgage may be placed upon property now owned or hereafter acquired without retiring these notes simultaneously. The notes are well secured by earnings and asset values. Offered to amount of $1,500,000, one-fifth maturing each January 1, 1921 to 1925, inclusive. Yields range from 6.25 to 6.62%, according to maturity, the yields moving in the reverse order of the maturities. A well secured investment, but marketability of rather limited character.

**Kahler Corporation First 6s.** Bonds are secured by a closed first mortgage upon a number of important buildings in Rochester, Minn. This city is the county site of Olmstead County, is located about 90 miles south of Minneapolis, and is the home of the Mayo Clinic. The Kahler Corporation owns and operates the principal hotels and hospitals in the city, and will use the proceeds of this issue ($1,000,000) to add accommodations so badly needed. Borrowing corporation is efficiently managed, and bonds are well secured as to earnings to cover interest charges and assets. For those interested in obligations of the real estate mortgage type, this issue appears to be satisfactory.

**WHAT READERS SAY**

I find your MAGAZINE so interesting and helpful that I can scarcely get along without it.

C. K.

# Current Stock Offerings

**The salient facts concerning current stock offerings. No opinion or rating of any kind is attempted, and the object is purely to keep the reader informed on the more important issues.**

**Atlantic Fruit.** This property and its predecessor companies have for many years been engaged in all phases of the tropical fruit business, and the new company has acquired from interests identified with the Cuban-American Sugar Co., by payment in common stock, two sugar plantations in Cuba aggregating 63,000 acres. By 1921 the company should be producing raw sugar from its new mill. Upon completion of its present plans, Atlantic Fruit will own about 153,600 acres of land in Cuba, 24,000 acres of plantations in Jamaica, 132,000 acres of undeveloped land in Nicaragua, a 300,000-bag sugar mill in Cuba and in addition the necessary equipment and other facilities to engage in the tropical fruit and sugar business. The management of the company will remain in the hands of those responsible for the success of the property since 1915, and the directorate includes some of the most prominent interests in the United States. Operating profits for the four years and nine months ended September 30, 1919, averaged over $1,470,000 annually, but have shown good improvement over the average in the past year or so. Estimated that for the 1920 year, after provision for taxes and interest, common stock will show earnings of about $5 a share, aside from any return on sugar investment. Capitalization to be outstanding consists of $10,000,000 conv. deb. 7s and 395,000 shares of common, no par value. Authorized common 1,000,000 shares, but 400,000 of these are reserved for conversion of $20,000,000 debentures. Common stock offered at 35.

**Beacon Chocolate 8% Cum. First Pref.** Company manufactures chocolate coatings, cocoa and eating chocolate, including the advertised Ace High Brand. Owns and operates two factories, and a third factory is under construction adjoining the Boston factory. With this addition company will be in a position to double its output. The managers of the business are Boston men of wide experience whose methods have been very successful. Net earnings for 1919 are at the rate to cover preferred dividend requirements about five times, and estimated that in 1920 they will be covered more than eight times. Capitalization outstanding will consist of $750,000 first pref. (this issue); $550,000 second pref. and $1,200,000 common, par value of all classes, $10. No bonded debt aside from $47,500, which will be paid at maturity. Liberal sinking fund for retirement of preferred at $11 a share. Tax free in Massachusetts. Offered at $10 with privilege of subscribing to common at $9 a share up to 40% of par value of first preferred purchased. First preferred net 8%.

**Granda Oil Corp.** Organized to acquire and develop extensive leases and concessions in Colombia, S. A., showing oil formations and seepages favorably located in the Caribbean oil fields, now attracting world wide attention. Their production has been estimated at 13,000,000 barrels per year, but no oil was commercially produced until 1916. Granda Oil will be one of the largest holders of oil lands in the new Caribbean fields, its leases totaling 130,000 acres. Stated that lands were carefully selected after years of study and investigation. Proceeds of 100,000 shares of class A stock now offered at 6 a share are for treasury purposes only and will provide ample cash for development and exploration. Capitalization, 135,000 shares class A and 365,000 shares class B, par value both classes, $10.

**Lancaster Mills 7% Cum. Pref.** Company has been producer of cotton fabrics for about 75 years, chief products being ginghams, shirtings and dress goods. Factories are at Clinton, Mass. Sales in 1919 were $7,606,000. Present financing necessitated by the expansion of the business, and should substantially increase its earning capacity. For past five years preferred dividend requirements have been covered on average of about 2¾ times, after deduction of Federal taxes. Including present financing, which will add about $3,000,000 new capital to business, the net tangible assets per share of preferred amount to $343 a share. Operations are directed by Messrs. Lockwood, Greene & Co., managers, well known and experienced in the textile industry. Liberal sinking fund for retirement of preferred at 110. Outstanding capitalization consists of $2,000,000 preferred and $2,500,000 common, par value $100. Authorized, $5,000,000 of each class. Tax free in Massachusetts. Offered at 100 to net 7%.

**Mexico Oil Corp.** Through consolidation of its various interests, this property has acquired control of approximately 40,000 acres of the best available reserve oil territory in the Mexican fields. Stated that these properties were acquired only after having been carefully selected, examined and approved by a large staff of experienced petroleum geologists. Title to the company's properties has been examined and approved by Messrs. Earl & Todd of New York City. Officers and directors include some very experienced oil men, and corporation appears to be very well sponsored. Capitalization consists of 1,500,000,000 shares of stock of one class with par value $10. Entire stock has been issued to acquire the properties, and the owners of this stock have authorized sale of 100,000 shares at public subscription at $4 a share. The principal purpose of the offering is to provide funds which will be given corporation for immediate development of its properties.

**Oriental Navigation 8% First Cum. Pref.** Properties to be acquired include a fleet of six ocean-going vessels of modern construction, piers and other facilities. Company has important South American connections, and in addition has developed its ocean transportation to a large number of European and Black Sea ports. Preferred dividend requirements have been earned a number of times over, and in

# Financial News and Comment

**Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither The MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.**

## RAILROADS

**BALTIMORE & OHIO.—Gross Increases. Decrease in Net.**—The road's net operating income for the first 11 months of 1919 was $5,222,940 or $3.44 per share of outstanding common stock, against $7,118,285 or $4.68 per share for the corresponding period in 1918. Gross earnings showed an increase of $8,041,567 over the preceding year. A far better showing was made during the month of November, when net operating income amounted to $513,146 or 33c. per share, compared with only $163,272 or 11c. per share in 1918. Since the cost of operation has increased about 70% since 1916, the company, when returned to private ownership would, from necessity, again revert to Federal control unless it were granted the means of getting increased revenues in proportion to increased cost of operation. According to President Willard's figures, the cost of operation increased $1,700,000,000 a year, while the revenues had increased $1,000,000,000, leaving the railroads $700,000,000 short annually. He said the operation of the company would cost $70,000,000 more a year now than in 1916, of which $50,000,000 was in wages and $12,000,000 in coal. This means if the road did the same business under present conditions it would have no surplus and no dividends at the end of the year and would have to cut operating expenses to avoid a deficit.—V. 25, Nos. 3, 4 and 5, Pgs. 102, 250 and 335.

**BOSTON & MAINE.—Earnings Decrease.**—Net operating income for November, after deduction for taxes, was $271,790 or 69c. per share of the company's outstanding common, compared with a deficit of $402,808 for November, 1918. Net operating income for the first 11 months of the current year was $4,270,853 or $10.81 a share, against $3,842,924 or $9.73 a share in 1918.—V. 25, Nos. 3, 4 and 5, Pgs. 162, 250 and 335.

**CANADIAN PACIFIC.—Slight Decrease in Net. Fabulous Profit Through Purchase of Stock on German Exchange.**—The road's net income for the period January to November amounted to $31,250,857 or $12.02 per share of common, compared with $31,691,376 or $12.19 a share for the same period in 1918. The gross earnings for 11 months show an increase of more than 12%. For the month of November the net income was $2,849,809 or $1.10 per share, compared with $3,398,472, or $1.31 per share in 1918. The gross for November increased to $17,366,849 from $15,023,088 in the preceding year. The most interesting feature about the company's stock is the ability to acquire it at a fabulous profit in Germany, where it is traded in quite actively on the biggest stock exchanges. According to a recent issue of the Berliner Boersen-Courier, Canadian Pacific is quoted at 1,150 marks a share. Assuming that an American investor buys 100 shares at the Berlin Bourse at 1,200 marks per share, he will pay a total of 120,000 marks, equal to about $1,800 at the present rate of exchange. The present quotation of Canadian Pacific on the New York Stock Exchange is around $135 a share, or $13,500 for 100 shares. The profit would therefore be $11,700. The matter is worth investigating.—V. 25, No. 4, Pgs. 250 and 251.

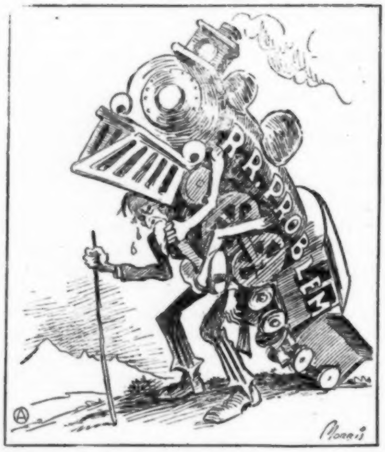
**CHESAPEAKE & OHIO.—Marked Decrease in Earnings.**—Net operating deficit for the month of November was $461,163, compared with a net income of $2,039,445 for November, 1918. Gross earnings for the first 11 months of the current year were $65,799,338, a decrease of more than 1% from last year; the net operating income for the same period amounted to $8,127,429 or $12.94 per share of common stock, compared with $15,310,648 or $24.38 per share in the preceding year.—V. 25, No. 4, P. 251.

**CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS.—Earnings Decrease.**—The company's net operating income for the first 11 months of 1919 was $12,574,550 or $26.75 per share of total outstanding common stock, against $13,604,437 or $28.94 a share in 1918. Gross for the same period decreased about 3% from last year. The earnings for November were also very poor: net amounted to $304,760 or 65c. a share, against $1,217,216 or $2.59 a share for November, 1918.—V. 25, No. 3, P. 162.

**DELAWARE & HUDSON.—Earnings Decrease Slightly.**—The road's net operating income for the first 11 months of 1919 was $2,024,009 or $4.70 per share, compared with $2,682,399 or $6.23 per share in 1918. The gross for the same period decreased only 1% from the preceding year. Operations

during November showed a net deficit of $9,796, against an income of $156,212 in 1918. Gross for the month decreased about 5% from 1918.

**CHICAGO, BURLINGTON & QUINCY.—Gross and Net Earnings for 11 Months Increase.**—The road's net operating income for the first 11 months of 1919 was $24,682,394 or $22.23 per share of the outstanding common stock, against $23,234,275 or $20.93 per share in 1918. Gross for the same period increased to $141,282,136 from $13,533,451 in 1918. Earnings in November showed a considerable decrease. Net for the month was $1,621,483 or $1.46 per share, compared with $2,751,-601 or $2.48 per share for the same month in 1918. The gross for November decreased less than 2% from last year.—V. 25, No. 3, P. 162.



Protected by George Matthew Adams.

SINBAD'S LITTLE OLD MAN OF THE SEA WAS NOTHING TO THIS.

—Morris for the George Matthews Adams Service

**ILLINOIS CENTRAL.—Pronounced Decrease in Net Earnings.**—The road's net operating income for the first 11 months of 1919 was $4,252,-449 or $3.90 per share of the outstanding common stock, compared with $13,-587,545 or $12.44 per share for the same period in 1918. Gross for the 11 months decreased only 1/10 of 1% from the preceding year.

## INDUSTRIALS

**ADVANCE-RUMELY. — Earnings Increase. To Enter Motor Truck Field.**—Due to the unfavorable exchange situation, contraction on the company's foreign business indicated that earnings for 1919 would not be up to expectations; however, domestic orders more than offset this. It is estimated that earnings for the past year will be approximately $8 a share of common stock, compared with $3.19 in 1918. The company is arranging to enter the motor truck field and hopes to begin deliveries of trucks by September, 1920. It is planning to erect a plant having a yearly capacity of 1,000 trucks.

**AMERICAN BEET SUGAR.—Large Earnings on Common.**—Judging from present earnings, the company is expected to show about $15 per share on the $15,000,000 common stock, for the year ended March 31, 1920, after taxes and preferred dividends. This compares with approximately $6 a share in the previous year. In spite of the low sugar content of beets this season and reduced tonnage per acre in some sections, production is likely to show 25% increase over the 918,562 bags turned out last campaign.

**AMER. INTER. CORP.—To Show Increased Earnings.**—The earnings for the year ended December 31, 1919, will show a considerable increase over those of the preceding year, chiefly due to the return the company received from the Hog Island Shipyard. Although operations are proceeding most satisfactorily and the prospects for the current year appear to be very good, directors of the company do not intend to declare a stock dividend. For 1918 net earnings after all charges were $3,716,379 or $7.44 a share of the outstanding stock. Both common and preferred are entitled to the same dividends up to 7% per annum.—V. 25, Nos. 2 and 5, Pgs. 72 and 336.

**AMERICAN LOCO. — Increase in Operation.**—Operations in the company's plants have increased materially in the past few weeks. Present rate is a little above December average, which was over 33%. This no doubt will increase the company's earnings considerably, which are expected to leave a satisfactory margin for 1919, after payment of dividends for both classes of stock, in spite of the low rate of operations for the greater part of the year.—V. 25, No. 4, Pg. 253.

**AMERICAN STEEL FOUNDRIES. —Earnings of Subsidiary.**—Final net profits of Griffin Wheel Company for 1919 are estimated in excess of $3,000,-000 before Federal taxes, probably in excess of $2,000,000 after such reserves or about 20% on the outstanding common of $17,184,000 of $33½ par. To meet preferred dividends $360,000 is needed and at least $1,600,000 will be turned over to the American Steel Foundries Company.—V. 25, No. 5, Pg. 336.

**AMERICAN SUMATRA. — Plans Extensions.**—The semi-annual statement to be issued about February is expected to be the best in the company's history, and from present indications 1920 profits will exceed greatly those for 1919. In addition to its Southern properties the company has under cultivation about 3,500 acres of tobacco lands in Connecticut and is planning to extend this acreage as conditions warrant.

**ATLANTIC FRUIT.—New Bonds Offered. To Erect Mill in Cuba.**—Leading bankers have offered $10,000,-000 15-year 7% sinking fund convertible debenture bonds, series "A," of the

company, due December 1, 1934, at 97 and interest, to yield more than 7.30%, and 140,000 shares of common. The company is about to erect a new sugar mill in Cuba with initial annual capacity of about 300,000 bags.—V. 25, No. 5, Pg. 337.

**ATLANTIC GULF.—Mexican Subsidiary to Construct Refinery.**—The first 10,000-barrel unit of the refinery of the Compania del Agwi, S. A., Mexican oil subsidiary, is expected to be completed by July 1, next. The topping plant will be completed to its final capacity of 30,000 barrels of oil a day by January 1, 1921, according to present plans.

**BALDWIN LOCOMOTIVE. — Is Offered Roumanian Order.**—The company has been offered a locomotive order from Roumania. The number of locomotives is not given. According to this report the proposal is for payment in Roumanian Government bonds secured by mortgage on oil lands, and Standard Oil interests have taken over the mortgage.—V. 25, No. 3, Pgs. 164 and 165.

**BETHLEHEM STEEL. — Very Prosperous.**—The company's profits for the common stock for 1919 are expected to exceed those of any other steel company from a percentage viewpoint. Very heavy charges for accrued amortization of capital is also expected. As Bethlehem was not hit hard by the steel strike, earnings on the common may be double those of U. S. Steel. For the period 1915 to 1919, the company's surplus after all charges, including preferred and common dividends, was equal to about $150 a share on the common, or more than $50 a share above the current market price of the stock. V. 25, p. 338.

## PUBLIC UTILITIES

**B. R. T. Applies for an 8-Cent Fare.**—Applications have been made to the Board of Estimate on behalf of the Brooklyn Rapid Transit lines and the Brooklyn surface car lines (excepting the Brooklyn City Railroad Co., which company is not in receivership) for revision of franchises and temporary relief including a temporary increase of fare to 8 cents to terminate June 30, 1920, unless extended by proper official action. Similar applications have been made to Commissioner Delaney and to Commissioner Nixon on behalf of the same company. V. 25, No. 4, P. 257.

**BOSTON CONSOLIDATED.—Rate Increase Hearing Resumed. Company's Large Indebtedness.**—Hearings on petition of the company for authority to increase its price of gas delivered at the burner from $1 to $1.20 a thousand was resumed on Dec. 31. Vice-president Wrightington told the commission that the company had accumulated an indebtedness of $4,200,000 since 1905, when the Consolidated company was formed.

Chairman Atwill did not see how the company could maintain a 7% dividend with its indebtedness increasing each year. He stated that the company had a property surplus of nearly $9,000,000 on which he thought money could be borrowed to pay dividends when actual earnings would not warrant disbursements.

**BROOKLYN EDISON. — Applies for Bond Issue.**—The Public Service Commission, First District, has heard the company's application for permission to issue $5,000,000 6% general 10-year mortgage bonds. The amount will be applied toward reimbursement for expenditures made in the acquisition of property and the construction, completion and improvement of plant and facilities prior to January 1, 1919.

**CHICAGO SURFACE LINES.—Reorganization Impending.**—A complete merger of the Chicago surface lines may result and a new general plan will be presented to the city looking toward better relations. Complete reorganization of operating department is said to be impending.

## MINING NOTES

**AMERICAN MANGANESE. — To Resume Manufacture of Pig Iron.**—The company will resume making of pig iron at its furnace at Dunbar, Pa. The daily output of over 300 tons has increased the demand for pig iron, which is expected to sell at $50 per ton in a few weeks, to which may be ascribed the company's decision to enter the market. This will no doubt help the earnings of the company, which was incorporated in 1913 under the laws of Pennsylvania, as a consolidation of the Cuyuna Mills and other iron companies. Earnings for the past year have not been made public yet, but in 1918 they made a very poor showing compared with 1917. The net profits for that year were $337,545 or $2.81 per share of the $6,000,000, outstanding common stock of $50 par, against $897,412 or $7.48 per share in 1917.

**ALUMINUM MANUFACTURERS. —Current Operations.**—The company's output at present amounts to over 30,000,000 lbs. of aluminum castings and 18,000,000 lbs. of brass and bronze castings per year. It is also manufacturing about 250,000 aluminum pistons for automobile engines per month. According to President Allyne's statement, the output in the coming year will be at least three times the present production.

**AMERICAN SMELTING. — Lead Price Again Advanced.**—The company has again advanced the price of lead from 8c. to 8.25c. a lb. Estimated on last year's production in the company's leading 14 smelters, the price advance should add $1,191,630 to the company's gross earnings. V. 25, No. 4, P. 258.

**ANACONDA COPPER. — Copper Output Poorest Since 1911. Better Outlook. —** The company produced 148,902,000 lbs. of copper in 1919, compared with 293,603,726 in 1918 and 239,014,880 in 1917. The figures for last year might be subject to some adjustment, but it is obvious that 1919 was the poorest year since 1911. The company's mines, smelters and refinery are again working, and there is reason to expect that Anaconda's production for January will make healthy comparison with the corresponding month a year ago when output totaled 15,000,000 lbs. The company also expects to put a white lead plant in operation within a few weeks. As the whole world practically needs repainting, after 5 years of warfare, the promise of profits from this department is very promising. V. 25, Nos. 3, 4 and 5, Pgs. 168, 258 and 342.

**BUTTE & SUPERIOR.—Earnings Favorable.**—The company entered 1920 with net earnings of $12 a share. The prospects for the current year are very favorable in view of the company's active prosecution of development work. In the last 2 months ore reserves of considerable amount have been added. So far as the permission to pay dividends is concerned, the company is now free from any legal entanglements. Its only problem now is final settlement with Minerals Separation Company. Possibility, therefore, of stockholders sharing in present large earnings is not at all far-fetched. V. 25, Nos. 2, 3, 4 and 5, Pgs. 76, 168, 258 and 343.

**CALUMET & HECLA.—Has Large Cash Surplus.**—The unsold copper account of the company and its subsidiaries on December 31, stood at roughly 30,000,000 lbs. Due to curtailment in production—the average for the year not being over 70% of capacity—and the desire to keep all workmen employed, copper costs have risen considerably; that is, to about 18c. per lb, exclusive of depreciation, depletion or any reservation for excess profit taxes. In spite of the large unsold copper account, the company was not compelled to borrow any money, since its treasury had entered 1919 with a large surplus. V. 25, No. 5, P. 343.

**MOHAWK MINING. — All 1919 Production Sold. Year's Output.**—The company entered the new year with all of its 1919 copper production (about 12,800,000 lbs.) sold. This includes also a small amount of metal carried over from 1918. Production costs for the year were approximately 12c. per lb. before excess profit taxes. The company also has more than $2,000,000 in net quick assets, or $20 per share of common, none of which represents unsold copper. This figure will probably be large even after payment of the recently declared dividends, for proceeds from some copper sales have not yet been received.

**RAND MINES.—Details of Offering of Shares in U. S.**—The American shares of the company, one of the foremost gold mining corporations in the world, operating in the Witwatersrand district in South Africa, where 45% of the world's gold output was produced last year, are to be issued in the ratio of one American share for 2½ sterling shares. At present 60,000 American shares are involved in the offering, representing 150,-

000 English shares. The American shares will be offered at $40 a share, to carry all dividends after January 1, 1920. The authorized capitalization is 2,200,000 shares of 5 shillings par value, of which 2,125,000 are outstanding.


Harding in the Brooklyn *Eagle*.

THE MODERN HUMPTY-DUMPTY DOESN'T FALL SO EASILY.

## OIL NOTES

**ANGLO-AMERICAN OIL.—Record Business Expected.**—Prospects of the company's handling a record volume of business this year are heightened by the pronounced increase in the large demand abroad for gasoline. The company's marketing facilities in Great Britain and its large fleet of oil tankers, numbering about 30 ships, enable it to handle the gasoline business in the United Kingdom advantageously, and it is expected the company will experience a prosperous year as a result of the growing demand there for the product.

**BIGHEART PRODUCING & REFINING.—To Increase Stock. Prospects for 1920 Favorable.**—The company plans to increase its authorized stock from 350,000 shares to 750,000 shares of $10 par. $2,250,000 is to be expended for the purchase of stock of Amalgamated Petroleum, the balance to be reserved for future needs. Pending the outcome of this plan, the payment of dividends, has been postponed temporarily. Due to lack of labor, strikes, railroad embargoes, delayed deliveries of material and unfavorable weather the refinery construction is considerably behind schedule. New stills expected to be completed last July have just been put in operation. The paraffin wax pressing and refrigerating plants will be in full operation in February, and the lubricating oil filtering plant in March. In view of this the company expects all processes to be operating to full capacity by July, next, at which time net earnings should be over $1,000,000 per annum, or $1.33 per share of $7,500,000 common stock.

**BOONE OIL.—To Form New Company.**—Interests associated with the

development of the company have formed a new company, the Marian Oil Co., for exploitation of oil resources in Louisiana. The new company is to have an outstanding capital of $500,000, of $1 par value per share; it owns about 40,000 acres of land and leases in the State of Louisiana, and about 100 acres of oil and gas leases in the Big Sinking Creek district of Kentucky.

**ELK BASIN.—Increase in Capital. Earnings.**—Stockholders voted to increase the capital of the company from $5,000,000 to $15,000,000 and change the name to the Elk Basin Consolidated Petroleum Company. The increase in capital, $6,000,000 of which is to be outstanding, will be used to purchase the stock of the Grass Creek Petroleum and the Keoughan-Hurst Drilling companies. With the above acquisitions the company will have on hand $2,000,000 cash. Present earnings are well over $1,200,000 a year, or equal $10 per share.

**GILLILAND OIL.—To Increase Production.**—The company has completed two new wells in the Homer field of Louisiana: Well No. 6, on the Shaw lease, has been drilled 21 feet in the deep sand and developed a flow estimated at 30,000 barrels a day. Well No. 10, on the Oakes lease, has been drilled 14 feet in the sand and is flowing by gauge at the rate of 18,000 barrels a day. Both these wells are in section 30 of the Homer field. In the Oakes lease the company has a one-half interest and in the Shaw lease a one-third interest. Regarding published reports of invasion of salt water in the wells of the Homer field, we are informed that according to contrifugal tests made, only the normal amount of moisture was shown, and that the reports were greatly exaggerated.

According to President Gilliland, the company has completed its Shaw No. 8 Well in Homer field, which means "flush" gouged a flow at rate of 00,000 barrels a day. This is the sixth large well completed by Gilliand in Homer field. The company is now shipping 10,000 barrels of oil daily from its Homer wells.

**ISLAND OIL. — Troubles With Mexican Government.**—The company's big oil well on lot No. 162 has been closed by the Mexican Government. President Carranza's order to open the well has not been executed as yet. This will no doubt seriously affect the daily output of oil by the company, which had a daily capacity of over 80,000 barrels. The company was organized in 1917, with a capital of $30,000,000, of $10 par, of which $22,500,000 is outstanding.

**MIDDLE STATES OIL.—Considerable Addition to Production.** — The company through subsidiaries will get an additional estimated production of 4,000 barrels of oil a day on a royalty basis from the new 20,000 barrel Simms well in the Homer field. The company has also purchased, through subsidiaries, a 220-acre tract in the district adjoining the Burkburnett field, Texas, with 55,000-barrel tanks, the Bradley Oil Company's property with three producing wells, and a royalty interest in the entire Block 74 of the Burkburnett extension. V. 25, No. 4, P. 261.

**OKLAHOMA PRODUCING & REFINING.—Dissolution Urged.**—The circular to the stockholders notifying them of the offer of the Ohio Cities Gas Co. to purchase the 63% of the Union des Petroles stock, states the cash price that would be realized from the sale would be $5,688,000. The Union Company, it is stated, cost the Oklahoma concern $4,735,000 and is the chief distributor of the Oklahoma Company's products in France. It also was recommended that the present holding company be dissolved and that its assets be distributed to stockholders. A special meeting will be held Jan. 26 to act on the proposition.

Upon such distribution each holder of the company's stock can expect to receive per share about $2.30 in cash and about 1¼ shares of the common stock of the Oklahoma Producing and Refining Corp. of America. V. 25, No. 4, P. 261.

**PIERCE OIL. — Financially Very Strong.**—The company starts the current year with net current and working assets of about $15,500,000 over the entire indebedness. Fixed assets are about $35,000,000, giving a book value of about $40 a share to the common stock outstanding, amounting to about $22,000,000. The company was never in a stronger financial position. These resources and a part of current earnings, which because of high selling prices for refined products exceed previous years, are being applied to an extensive campaign of development, especially for the securing of new oil production on its Texas acreage, where satisfactory results are being obtained.

**PRODUCERS & REFINERS.—Declares Common Dividend.**—The corporation declared a dividend of 5% on the common stock, payable in quarterly installments of 12½c. a share, the first to be paid Feb. 1 to holders of record Dec. 31. The directors offer to all holders of record Dec. 31 the right to subscribe to new common stock at $10 a share, at one share for each 10 shares of preferred or common stock. The corporation is drilling an offset well to Standard Oil Co. of Louisiana's 20,000-barrel gusher in the Homer field. The company has 2,000 acres of well-located land in this field, now the biggest new production of any field in the country. The company's annual net earnings after all charges and deductions are estimated at about $2,400,000, or about $2.40 per share of total outstanding stock. With further extensions and improvements [it is considering purchasing the stock of the Western Oil Fields Corporation] under way the company is likely to do considerably better in the coming year.

**SAVOY OIL.—Issues New Common.**—Directors of the company have authorized the issue of 30,000 shares of unissued stock at $5 par, to holders of record December 15, 1919, at one share of unissued stock for every 4 shares now held. The company's earnings for 1918 declined markedly compared with 1917,

showing a deficit of $26,575, or about 22c. per share, against a surplus of $36,494 in 1917. Although the company has paid uninterrupted dividends since 1912 (having been organized in 1905), the financial position of the company is not particularly strong, the working capital for 1918 amounting to a little over 76c. per share.

## UNLISTED NOTES

**BETHLEHEM SHIPBUILDING.—Conditions and Outlook Satisfactory.**—By obtaining an efficient force, the company is readjusting methods to develop the most efficiency at the lowest costs on the commercial basis of shipbuilding. Contracts on hand will fill production in 1920 according to the company's general manager.

**CANADIAN CONNECTICUT COTTON Mills.—Appoints Registrar.**—The company has appointed the National Bank of Commerce registrar of its preferred and common stock. The number of shares to be authorized is 16,666 shares of preferred of $100 par, and 34,333 shares of Class "B" common stock of $10 par value.

**CENTRAL AGUIRRE SUGAR.—Earnings Show Improvement.**—The company's annual report for the year ended July 31, 1919, shows profits before income and excess profit taxes, of $2,041,287, equal to $68.04 a share earned on the $3,000,000 capital stock, as compared with $1,912,364, or $63.74 a share in the preceding year.

**CHASE NATIONAL BANK.—Stock Increase. Rights to Holders.**—Shareholders of the company authorized an increase in capital from $10,000,000 to $15,000,000, and the stockholders of Chase Securities Corporation authorized an increase in its capital from 100,000 shares of no par value to 150,000 shares. Holders of each deposit receipt of record December 26 may subscribe to one-half of their holdings on payment of $250 for each deposit receipt representing one share of Bank stock and one share of Securities Corporation stock.

**CONSOLIDATED TEXTILE.—Income Account.**—The company's report for the year ended November 30, 1919, shows surplus for the year amounting to $196,201, or about 6% of the total capitalization of $3,284,506. The working capital for the year amounted to $64,951.

**EMERSON PHONOGRAPH. — Bright Prospects.** — Production of Emerson records, which are practically all of large size, amounted in January close to 50,000 per day, having a selling value of over $400,000 monthly. Present gross business is running between $4,000,000 and $5,000,000 per annum, and company is 1,000,000 records behind in its deliveries.

**LOCOMOBILE COMPANY.—Earnings Satisfactory.**—The net profit for the year were about $1,300,000, or $27.37 a share on $4,750,000 outstanding common stock of $100 par, after taxes, interest and preferred dividends. The company's common stock was recently admitted to the Baltimore Stock Exchange.

**INVESTING $100,000**

I have been reading your magazine and books with much interest. I have been successful in my business and am now preparing to retire. Making investments is a comparatively new field for me and I hope that I may trouble you for advice in investing $100,000 in railroad and industrial bonds.—H. M. E.

## Important Dividend Announcements

**To obtain a dividend directly from a company, the stock must be transferred into the owner's name before the date of the closing of the company's book.**

| Ann. Rate | Name | Amt. Declared | Paid to Stock of Record | Div. Payable |
|---|---|---|---|---|
| 8% | Amer Beet Sugar, c | 2 %Q | 1-10 | 1-31 |
| 4% | Amer Chicle, c.... | 1 %Q | 1-17 | 2- |
| 8% | Am Drug Syn ($10) | 4 %S | 1- 7 | 1-28 |
| 6% | Amer Gas Elec, p. | 1½%Q | 1-16 | 2- 2 |
| 6% | Amer Ice, p...... | 1½%Q | 1- 9 | 1-24 |
| 4% | Amer Ice, c....... | 1 %Q | 1- 9 | 1-24 |
| 6% | Amer Lt & Tr, p.. | 1½%Q | 1-15 | 2- 2 |
| 10% | Amer Lt & Tr, c.. | 2½%Q | 1-15 | 2- 2 |
| .... | Am Lt & Tr, c ext. | e2½% | 1-15 | 2- 2 |
| 7% | Amer Radiator, p.. | 1¾%Q | 2- 7 | 2-16 |
| 7% | Amer Shipbldg, p.. | 1¾%Q | 1-15 | 2- 2 |
| 7% | Amer Shipbldg, c.. | 1¾%Q | 1-15 | 2- 2 |
| .... | Am Shipbldg, c ext. | 2¼%Q | 1-15 | 2- 2 |
| 10% | Am Sumatra Tob, c | 2½%Q | 1-23 | 2- 2 |
| $6 | Am Zinc, Ld & S, p ($25) .......... | $1.50 Q | 1-23 | 2- 2 |
| $4.50 | Amosk Mfg, p (no par) ........... | $2.25 Q | 1- 2 | 2- 2 |
| $5 | Amosk Mfg, c (no par) ........... | $1.25 Q | 1- 2 | 2- 2 |
| $4 | An Copper ($50).. | $1 Q | 1-17 | 2-24 |
| 5% | At, Tp & S Fe, p ss | 2½%S | 12-31 | 2- 2 |
| $10 | A, G & W I S S, p. | $5 S | 12-30 | 2- 2 |
| 6% | Atlas Powder, p.... | 1½%Q | 1- 2 | 2- 2 |
| 8% | Borden Co, c...... | 4 %S | 1-31 | 2- 1 |
| 7% | Brown Shoe, p.... | 1¾%Q | 1-20 | 2- 1 |
| 3% | Canada Southern.. | 1½%S | 12-31 | 2- 2 |
| 5% | Central Leather, c. | 1¼%Q | 1- 9 | 2- 2 |
| .... | Cent Leather, c ext. | 2 % | 1- 9 | 2- 2 |
| 8% | Chic. Pneu. Tool.. | 2 %Q | 1-15 | 1-26 |
| 6% | Cities Ser., p "B".a | ½%M | 1-15 | 2- 1 |
| 6% | Cities Service p... | ½%M | 1-15 | 2- 1 |
| 6% | Cities Service, c.. | ½%M | 1-15 | 2- 1 |
| 15% | Cities Ser., c ext..e | 1¼%M | 1-15 | 2- 1 |
| .... | Cit S, bs (no p)gg. | 45.8c | 1-15 | 2- 1 |
| 8% | Cluett, Peabody, c. | 2 %Q | 1-21 | 2- 2 |
| 8% | Com'wealth Edison. | 2 %Q | 1-15 | 2- 2 |
| 16% | Com Sft Int ($15). | 8 %S | 1-20 | 2-20 |
| 6% | Consolidation Coal. | 1½%Q | 1-20 | 1-31 |
| 10% | Cosden & Co, c($5). | 2½%Q | 12-31 | 1- 1 |
| .... | Cosden & Co, c ext. | e2½% | 12-31 | 1- 1 |
| 12% | Crucible Steel, c.. | 3 %Q | 1-15 | 1-31 |
| $6 | Cuba R R, p...... | 3 %S | 12- 3 | 2- 2 |
| 7% | Dominion Coal, p.. | 1¾%Q | 1-14 | 2- 1 |
| 5% | duP deN Pow, p.. | 1¼%Q | 1-20 | 2- 2 |
| 6% | duP deN Pow, c.. | 1½%Q | 1-20 | 2- 2 |
| 7% | Durham Hosiery, p. | 1¾%Q | 1-20 | 2- 1 |
| .... | Durham Hos, c A. | 4 % | 1-20 | 2- 1 |
| .... | Durham Hos. c B. | 4 % | 1-20 | 2- 1 |
| 12% | Edison E I of Bos. | 3 %Q | 1-15 | 2- 2 |
| 4% | Eisen (0) & Bros c. | 1 %Q | 1-31 | 2-15 |
| 7% | Emerson Brant'hm, p. | 1¾% | 1-16 | 2- 2 |
| 6% | Federal Sug Ref, p. | 1½%Q | 1-23 | 2- 2 |
| 7% | Federal Sug Ref, c. | 1¾%Q | 1-23 | 2- 2 |
| 7% | Fisher Body, p.... | 1¾%Q | 1-15 | 2- 2 |
| .... | Fisher Body, c..... | a$2.50 | 1-15 | 2- 2 |
| .... | Gen Chem, c ext.. | 2½% | 12-31 | 2- 1 |
| 6% | General Cigar, c... | 1½%Q | 1-24 | 2- 1 |
| 6% | General Motors, p.. | 1½%Q | 12-31 | 2- 2 |
| 12% | General Motors, c.. | 3 %Q | 12-31 | 2- 2 |
| 6% | Gen Motors, deb stk. | 1½%Q | 12-31 | 2- 2 |
| 4% | Goodrich (B F), c.. | 1 %Q | 2- 5 | 2-16 |
| 7% | Gt North Ry, p.ss | 1¾%Q | 1- 6 | 2- 2 |
| .... | Har-Walk Re, c ext. | 6 % | 1-15 | 1-25 |
| 7% | Hercules Powder, p. | 1¾%Q | 2- 5 | 2-14 |
| 7% | Holly Sugar, p.... | 1¾%Q | 1-15 | 2- 2 |
| $8 | Ind Pipe L ($50). | $2 Q | 1-24 | 2-14 |
| .... | Ind Pipe L ext.... | $2 | 1-24 | 2-14 |
| 10% | Ingersoll-Rand, c.. | 2½%Q | 1-17 | 1-31 |
| $6 | Ins Con Cop($20). | $1.50 Q | 1- 9 | 1-26 |
| 6% | Int Mer Marine, p. | 3 %S | 1-15 | 2- 2 |
| .... | Int Mer Ma, p ex.m | 5 % | 1-15 | 2- 2 |
| 6% | Intnat Nickel, p... | 1½%Q | 1-15 | 2- 1 |
| 7% | Kayser (Jul), 1st p | 1¾%Q | 1-20 | 2- 2 |
| 7% | Kayser (Jul), 2d p. | 1¾%Q | 1-20 | 2- 2 |
| $8 | Kelly Sp Tire, 8%p | $2 | 2- 2 | 2-16 |
| $4 | Kelly Sd Tr c($25) | $1 Q | 1-17 | 2- 2 |
| .... | Kelly Sd Tr, c ex.e | 75c | 1-17 | 2- 2 |
| 7% | Kelsey Wheel, p... | 1¾%Q | 1-21 | 2- 1 |
| 4% | Kress, S H, c..... | 1 %Q | 1-20 | 2- 1 |
| 7% | Louis & Nashvle.ss | 3½%C | 1-19 | 2-10 |
| 7% | Mass Gas, c....... | 1¾%Q | 1-15 | 2- 2 |
| 6% | McElwain(WH), 1 p | 1½%Q | 1-15 | 2- 2 |
| 6% | M'E(WH),2d p($50) | 1½%Q | 1-15 | 2- 2 |
| 12% | McEl(WH), c($50) | 3 %Q | 1-15 | 2- 2 |
| $2 | Miami Copper ($5). | 50c Q | 2- 2 | 2-16 |
| 4% | Mich Cent.......ss | 2 %S | 12-31 | 1-29 |

| Ann. Rate | Name | Amt. Declared | | Paid to Stock of Record | Div. Payable |
|---|---|---|---|---|---|
| $4 | Midv St & Or ($50) | $1 | Q | 1-17 | 2- 1 |
| $4 | Midwest Ref ($50). | $1 | Q | 1-15 | 2- 1 |
| .... | Midwest Ref, ext.. | 50c | | 1-15 | 2- 1 |
| $6 | Mohawk Min ($25) | $1.50 | Q | 1-13 | 2- 2 |
| 7% | Nashv, Chat & S L. | 3½% | S | 1-24 | 2- 2 |
| 5% | N. Y Central....ss | 1¼% | Q | 1- 2 | 2- 2 |
| .... | New York Dock, c. | 2½% | | 2- 6 | 2-16 |
| 4% | Norf & West, p.ss | 1 % | Q | 1-31 | 2-19 |
| $1 | Pac Mo Cr, c($10), | 25c | Q | 1-15 | 2- 2 |
| 6% | Penmans, Ltd, p.. | 1½% | Q | 1-21 | 2- 2 |
| 7% | Penmans, Ltd, c.. | 1¾% | Q | 2- 5 | 2-16 |
| 5% | Pere Mar, pri p.ss | 1¼% | Q | 1-19 | 2- 1 |
| $2.50 | Phil Rap Tr ($50). | 1.25 | S | 1-21 | 1-31 |
| 4% | Pitts, C C & St L.ss | 2 % | S | 1-15 | 1-26 |
| 6% | Pittsburgh Coal, p. | 1½% | Q | 1- 9 | 1-24 |
| 5% | Pittsburgh Coal, c.. | 1¼% | Q | 1- 9 | 1-24 |
| $5 | Pitts & L Er ($50), | $2.50 | S | 1-21 | 2- 2 |
| 12% | Prairie Oil & Gas. | 3 % | Q | 12-31 | 1-31 |
| .... | Prairie O & G, ext. | 7 % | | 12-31 | 1-31 |
| 12% | Prairie Pipe Line.. | 3 % | Q | 12-31 | 1-31 |
| 6% | Pub Ser of N. Il, p | 1½% | Q | 1-15 | 2- 2 |
| 7% | Pub Ser of N Il, c | 1¾% | Q | 1-15 | 2- 2 |
| $4 | Read Co. c ($50).. | $1 | Q | 1-22 | 2-12 |
| 6% | Republic I & St, c. | 1½% | Q | 1-15 | 2- 2 |
| 7% | Steel Co of Can, p. | 1¾% | Q | 1-10 | 2- 2 |
| 7% | Steel Co of Can, c. | 1¾% | Q | 1-10 | 2- 2 |
| .... | Steel Co of C, ext. | ¼% | | 1-10 | 2- 2 |
| $8 | Superior Steel, 1st p | $2 | Q | 2- 2 | 2-16 |
| $8 | Superior Steel, 2d p. | $2 | Q | 2- 2 | 2-16 |
| $3 | Superior Steel, c.. | 75c | Q | 1-15 | 2- 2 |
| .... | Superior Stl, c ext. | 50c | | 1-15 | 2- 2 |
| 6% | Union Oil of Cal. | 1½% | Q | 1-10 | 1-24 |
| .... | Union Oil of Cal, ex | 1 % | | 1-10 | 1-24 |
| 7% | Utd Dg, 1st p($50) | 1¾% | Q | 1-15 | 2- 2 |
| .... | United Ret Stores.a | 3 % | | 1-15 | 2- 1 |
| .... | U S Rubber, c ext.e | 12½% | | 2- 5 | 2-19 |
| 4% | Va-Caro Chem, c.. | 1 % | Q | 1-15 | 2- 2 |
| 6% | Va Iron, Cl & Cke. | 3 % | S | 12-31 | 1-25 |
| $5 | Ward (Mt), c (np) | $5 | A | .... | 2-19 |
| .... | Wash'ton Oil ($10) | $2 | | 12-31 | 1-30 |
| $7 | Westh Air B ($50) | $1.75 | Q | 12-31 | 1-31 |
| $1 | Willys-Ove, c ($25) | 25c | Q | 1-20 | 2- 1 |
| 5% | Wilson & Co. c.... | 1¼% | Q | 1-21 | 2- 2 |
| $2.50 | York Rys, p ($50) | 62½c | Q | 1-21 | 1-31 |

a—Initial dividend.
e—Payable in common stock.
gg—Includes regular monthly ½% cash dividends and cash proceeds from sale of stock dividends due on Bankers Shares.
m—On account of accumulated dividends.
ss—Subject to the approval of the Director General of Railroads. N. Y. Stock Exchange ruled stock does not sell ex-div. on stock of record date.